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AN ANALYSIS AND DEVELOPMENT OF A PROCESS AND
GUIDE FOR THE CONDUCT OF THE PROCUREMENT
MANAGEMENT REVIEW WITHIN THE U. S. MARINE CORPS

by

James M. Williams

December 1992

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An Analysis and Development of a Process and Guide for the
Conduct of the Procurement Management Review
Within the U. S. Marine Corps

by

James M. Williams
Captain, United States Marine Corps
B.S., United States Naval Academy, 1985

Submitted in partial fulfillment
of the requirements for the degree of

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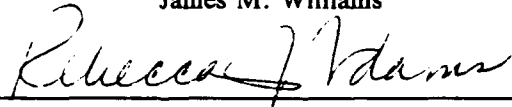
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ABSTRACT

This thesis analyzes the conduct of the Procurement Management Review (PMR) within the Defense Logistics Agency (DLA), the Army, the Navy, and the Air Force in order to develop a process and guide for the Marine Corps in its conduct of the PMR on the Marine Corps Field Contracting System. The objectives are to produce a user/management guide that will focus review efforts on the goal of procurement process improvement instead of deficiency reporting; minimize preparation time by HQMC evaluators; streamline the preparation effort and performance by the field contracting offices; and create a cooperative, nonadversarial environment in order to improve procurement efficiency and effectiveness. The development will proceed with a study of DLA and other Services' procedures concerning their management philosophy regarding PMR conduct, their organization for conducting PMRs, and their measurement of legal and regulatory compliance. An incremental approach to Total Quality Management (TQM) implementation will be introduced to the conduct of the PMR.

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I. INTRODUCTION

A. BACKGROUND

The genesis of the Procurement Management Review (PMR) program occurred in 1961 when a study by Robert D. Lyons concluded that the Department of Defense (DOD) did not have accurate or timely information to be able to determine if the three Military Departments were effectively accomplishing their procurement responsibilities. The study recommended that a program to review procurement activities be established in the DOD [Ref. 1:p. 11]. As a result, the Secretary of Defense (SECDEF) established the Defense PMR program on July 30, 1962 by issuing DOD Directive 5126.34. The Directive's intent was for the Military Departments and the Defense Supply Agency, now the Defense Logistics Agency (DLA), to periodically review the operations of their procurement field activities by analyzing procedures, policies, and methods to ensure improved effectiveness and efficiency. Although DLA was tasked to develop standards for the PMR, the Military Services were allowed and encouraged to tailor DLA's format to meet their Service's peculiar needs [Ref. 2:pp. 1-3].

Currently, the Marine Corps has no written structure for the conduct of the PMR on its ten field contracting offices and no written guide for the ten field contracting offices to

prepare for the PMR. The Field Contracting Support Branch of Headquarters Marine Corps (HQMC) forms ad hoc teams when required to perform the PMR on field contracting offices. The formed teams do not have written procedures to guide their preparation for and the conduct of the PMR. Since there is no written guide, the ten field contracting offices have no direction from HQMC as to the preparation for a PMR. Therefore, each office prepares for the PMR according to their own internal operating procedures.

B. OBJECTIVES

The objectives of this thesis are to produce a user/management guide that will focus review efforts on the goal of procurement process improvement instead of deficiency reporting; minimize preparation time by HQMC evaluators; streamline the preparation effort and performance by the field contracting offices; and create a cooperative, vice arms-length/adversarial, environment between a PMR team and a field contracting office in order to improve procurement efficiency and effectiveness. To accomplish these objectives, the methods in which DLA and the other Military Services conduct PMRs on their respective contracting activities will be analyzed and a written process and guide for the PMR as it should be performed within the U. S. Marine Corps will be developed from the analysis. A study of the DLA and other Services procedures will focus on their management philosophy

regarding PMR conduct, their organization for conducting PMRs, and how they measure legal and regulatory compliance. Once analysis is completed, a process and guide specifically tailored to Marine Corps requirements can be developed. The key consideration of this study is to develop a process and guide that measures procurement performance (not a detailed audit) while ensuring that headquarters control of the contracting function is not tightened. Additionally, the review philosophy will be centered on correcting the processes that created errors instead of merely reporting errors and recommending simple solutions that correct errors regardless of the processes.

C. RESEARCH QUESTIONS

The following primary and subsidiary research questions were addressed for this thesis.

1. Primary Research Question

What should be the standard process of administration of the PMR from the headquarters level of the Marine Corps and how should it be conducted when reviewing the field contracting offices?

2. Subsidiary Research Questions

- a. What are the essential elements of a PMR?
- b. How are the field contracting offices organized to perform, document, and report their small purchase and contract operations?

c. How do the field contracting offices document and report their small purchase and contract operations to higher headquarters?

d. What are the procedures used by the field contracting offices to procure goods and services?

e. What key items should PMR teams evaluate during a PMR?

f. How do DLA and the other Services conduct PMRs on their contracting activities?

g. How can Total Quality Management (TQM) be introduced into the PMR process?

h. What should HQMC and the field contracting offices learn from the PMR process?

D. SCOPE, LIMITATIONS, AND ASSUMPTIONS

The scope of the thesis will be to standardize the process in which HQMC and the ten field contracting offices prepare for and conduct the PMR. It is focused on the Marine Corps Field Contracting System (MCFCS), which does not include contracting operations at the Marine Corps Systems Command (MARCORSYSCOM) or the Contracts Division at HQMC. The Systems Command and the Contracts Division are reviewed by PMR teams from the Office of the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN(RDA)). The envisioned guide will consist of questions from several areas of concentration that will probe the various contracting

processes; it will not be a list of questions that simply answer "yes or no" questions in order for a score/grade to be assigned. The purpose of the user/management guide will be to more effectively measure, instead of control, the contracting function of an individual contracting office. A TQM philosophy for conducting the PMR will be introduced into the process.

Given the voluminous Government laws and regulations on procurement, this study will be limited by the fact that each field contracting office might interpret these laws and regulations differently and, consequently, the user/management guide might not accommodate the varied interpretations. Since the scope of the thesis will not include the MARCORSYSCOM, as previously stated, this study and resulting process/guide will be confined to the specific requirements of field contracting and not major systems acquisition.

Since the subject of this study is inherently governmental, it is assumed that the reader is familiar with the Federal contracting environment. However, a complete and thorough knowledge of the laws and regulations surrounding Federal procurement is not necessary. Additionally, it is assumed that the beneficiaries of this proposed guide not only desire a simplified and standardized process, but also a process whereby improvement of field contracting operations can be pursued.

E. LITERATURE REVIEW AND METHODOLOGY

To support this study, the literature to be researched and reviewed include the Federal laws and regulations concerning procurement, supplemental regulations from the DOD and the Department of the Navy (DON), PMR manuals from other Defense agencies/components, various articles and books concerning procurement, previous studies/theses concerning PMRs, and previous Marine Corps PMR reports on field contracting offices.

The research methodology will consist of several endeavors. A review of available literature will be accomplished as previously stated. A major part of this study will be an analysis of the PMR administration by the other Services. Any guides or standard operating procedures will be examined to determine areas applicable to the proposed Marine Corps guide. It should be noted that the proposed guide will be tailored to the unique needs of the Marine Corps and not replicated from another Service's guide.

Personal and telephonic interviews of professionals in the MCFCS will be conducted to determine the essential elements of the procurement process that should be evaluated by the PMR. Additionally, their experiences with previous PMRs will be discussed.

After literature reviews and interviews, a rough guide will be drafted. It will be divided into pertinent areas of concentration with applicable questions that a PMR team should

pursue. This draft user/management guide will then be sent to the ten field contracting offices and several HQMC personnel for their perusal and comments. After due consideration of the comments, a final user/management guide will be developed. Consensus of opinions will be the determinant and not questionnaire response tabulations.

F. DEFINITIONS AND ABBREVIATIONS

Within this study, the term "procurement management review" refers to a periodical review of the procedures, policies, directives, and methods of procurement organizations in order to measure and improve their efficiency and effectiveness [Ref. 2:p. 1]. The terms "contract management review" and "procurement management review" will be used interchangeably although the "contract management review" is focused more on the contracting portion of the overall procurement process.

This study will use many abbreviations throughout the text. The identification and definition of the abbreviated terms will occur when they are first cited; thereafter, the abbreviations will be used.

G. ORGANIZATION OF THE STUDY

In order to understand the significance of and requirement for the PMR, the background and elements of the Defense PMR program will be presented in Chapter II. The original intent

of the program will be revealed as well as the performance of the DLA and the Military Departments in complying with the program's requirements from its inception in 1962 until the present.

The nature and scope of field contracting within the Marine Corps will be discussed in Chapter III. The organization of the contracting function at HQMC and throughout the Marine Corps will be identified. The missions of the various small purchase and contracting activities will be defined.

The elements of TQM that are applicable to a Marine Corps PMR program will be studied in Chapter IV. A brief overview of the TQM program within the DOD will be described and implementation of certain TQM elements into the proposed PMR guide will be identified.

Data will be presented in Chapter V from the PMR programs of the DLA and the other Services. The respective program's approach toward PMR administration will determine whether the goal is overt enforcement of regulations and directives, measurement of compliance with laws, or the improvement of efficiency and effectiveness. Significant findings from a 1990 thesis on the state of the PMR program within the Marine Corps will be provided. Additionally, significant data from past PMRs performed on the ten Marine Corps field contracting offices will be presented.

Analysis of the presented data will be performed in Chapter VI. Observations concerning the data and interpretation of laws, regulations, and management philosophies will form the basis of building a Marine Corps guide that is progressive and unique.

The conclusions and recommendations of the researcher will be made in Chapter VII. The primary and subsidiary research questions will be answered directly and a process for the conduct of a PMR will be described. A recommended user/management guide will be presented in Appendix A.

II. BACKGROUND AND ELEMENTS OF THE PROCUREMENT MANAGEMENT REVIEW

A. INTRODUCTION

When selling goods and services to the Government, contractors are faced with a myriad of laws, rules, and regulations that aid the Government in controlling the procurement process. The reason for this control is to ensure that taxpayers' money is spent wisely on goods and services that the Government agencies require while, at the same time, promoting the social and economic goals of the Government. The Government intends to maximize the utility of monies spent to ensure needs are effectively and efficiently met. Despite all of these controls over the buyer-seller relationship, there are only minimal controls by the Government's upper level management to ensure that the lower levels of the Government (i.e., the procuring activities) are efficiently meeting the needs of their agencies [Ref. 1:p. 11]. They may be effectively meeting the needs, but are they efficiently meeting the needs? This question is applicable in the current procurement environment, but it first surfaced in the early 1960s [Ref. 1]. The need for a control mechanism was identified for the Department of Defense (DOD) top level management to ensure that the procurement activities of the

DOD were operating efficiently as well as effectively. Specifically, the control mechanism that was developed was the Procurement Management Review (PMR) program [Ref. 2].

B. CHRONOLOGY

The genesis of the PMR program occurred in 1961 when a study by Robert D. Lyons concluded that the DOD did not have accurate or timely information to be able to determine if the three Military Departments were effectively accomplishing their procurement responsibilities. The study recommended that a program to review procurement activities be established in the DOD [Ref. 1:p. 11]. As a result, the Secretary of Defense (SECDEF) established the Defense PMR program on July 30, 1962 by issuing DOD Directive 5126.34. The Directive's intent was for the Military Departments and the Defense Supply Agency, now the Defense Logistics Agency (DLA), to periodically review the operations of their procurement field activities by analyzing procedures, policies, and methods to ensure improved effectiveness and efficiency [Ref. 2:p. 1]. The Office of the Secretary of Defense (OSD), the Military Departments, and the DLA were authorized 70 professional positions to execute the PMR program by reviewing major procuring activities on a two year cycle. The PMR program was to operate under the purview of the Assistant Secretary of Defense for Installations and Logistics (ASD(I&L)) [Ref. 3:p. 2]. In July 1966, DOD Directive 5126.34 was revised to

include post award functions of contract management and to extend the review cycle from two years to three years for major procuring activities [Ref. 3:p. 2]. In August 1977, the directive was again revised to name DLA as the executive agent in preparing semiannual reports of PMR results from the Military Departments and DLA. The PMR program was placed under the cognizance of the Under Secretary of Defense for Research and Engineering (USD(R&E)), later the Assistant Secretary of Defense for Production and Logistics (ASD(P&L)). Additionally, the executive agent had to plan and recommend joint reviews for those Defense agencies that did not have review capability (e.g., Defense Mapping Agency) [Ref. 3:p. 2]. As early as 1972, the PMR program began experiencing a lower prioritization within the DOD. In 1976, Rachel C. Lilley and Charles A. Correia concluded that this lowering prioritization resulted from other surfacing priorities, scarcity of funds, and reductions in experienced personnel [Ref. 4:p. 5]. In 1980, LTC Charles R. Thompson, U. S. Army, concluded that the decline was continuing due to a relaxed interest in the PMR by top management and belief that the reports were useless [Ref. 5:p. 35]. In 1987, the DOD Inspector General (DODIG) reported to ASD(P&L) that the Military Departments and the DLA were not complying with DOD Directive 5126.34 due to lack of continuing emphasis placed on the PMR program by the ASD(P&L), the Military Departments, and the DLA [Ref. 3:p. 3]. This large scale noncompliance was

curious when some controlling mechanism was needed in light of the negative media coverage of Government's purchases of such things as \$500 hammers and \$10,000 toilet seats.

On April 16, 1991, DOD Directive 5126.34 was cancelled [Ref. 6]. Although it was cancelled, the PMR program was requested to continue as it had in the past by the Director of Defense Procurement, Eleanor Spector [Refs. 7; 8]. The cancellation was actually a result of paperwork streamlining that was undertaken as part of the Defense Management Review of 1989. Currently, the responsibility for the PMR program is with the Under Secretary of Defense for Acquisition (USD(A)) and it is an active program within the DOD even though there is no Directive mandating its use [Ref. 9].

C. BACKGROUND

The last version of the DOD Directive 5126.34 delineates responsibilities at the secretariat and component levels. The USD(R&E), now the USD(A), was directed to issue policy on the Defense PMR program and to receive and review the PMR semiannual report from the executive agent, DLA, to keep abreast of improvements, problems, and trends in procurement activities through the implementation of the PMR program [Ref. 2:p. 2]. The heads of the Military Departments and DLA were directed to make available the requisite resources to operate the PMR program and joint reviews of those Defense agencies that do not have a review capability. They were to establish

regulations to ensure an annual program of PMRs to measure and evaluate procurement management and performance while providing for follow-up actions that may be required at both purchasing and contract administration offices. Additionally, they were to permanently maintain personnel with extensive experience and skills in procurement on their headquarters staff as PMR program specialists. The PMR staff was responsible for periodically reviewing a sufficient number of their department's procuring and contract administration offices to assure maximum efficiency and effectiveness in their procurement processes. Before conducting the reviews, the heads of the Military Departments and DLA were to publish a schedule annually and update the schedule quarterly of the procuring and contract administration offices that were to be reviewed. Also, they were to provide a listing of the procurement operations and functions that were to be evaluated. The evaluation was to be based on improving procurement management and increasing the effectiveness and efficiency of a particular procurement function. After conducting PMRs and/or Contract Management Reviews (CMR) for post award functions, the heads of the DOD components were to establish procedures to report results to DLA semiannually so that DLA could compile a report of findings, trends, and follow-up actions indicating required and accomplished improvements. [Ref. 2:pp. 2-3]

As the executive agent, DLA was to issue this semiannual report to the USD(R&E), now the USD(A). DLA was to plan and recommend joint reviews of procuring activities within the Defense agencies that had no review capability (e.g., the Defense Mapping Agency). These joint review teams would be formed from the PMR staff personnel of the various DOD components. Finally, DLA was to provide standards and update them periodically for the PMR in the form of Defense Procurement Management and Contract Management Review manuals. These standards provided for variation to fit the unique needs of the Military Departments and DLA. [Ref. 2:p. 2]

As can be seen, top DOD management decided that some control mechanism was needed in the procurement area as early as 1962. This decision was made well before the intense media coverage of procurement inefficiencies in the late 1970s and early 1980s. However, it took the intense media coverage to induce top DOD management to force the control of the procurement process [Ref. 10:p. 3]. The apparent intent of DOD Directive 5126.34 was to keep the focus of the review very broad so that the unique needs of the various users could be met while providing top DOD management with periodic feedback to assess the effectiveness and efficiency of DOD procuring activities. Additionally, top DOD management realized that to get objective evaluations, the reviews had to be conducted by a team that was not affiliated with the reviewed activity.

In 1976, Rachel C. Lilley and Charles A. Correia of the Army Procurement Research Office conducted a study to determine if the Army, as well as the other Military Departments and DLA, were in compliance with DOD Directive 5126.34. Within the Department of the Army, they found that the PMR program function was delegated from the Department's headquarters level to the Army Development and Readiness Command (DARCOM) in January 1972. With this transfer, they found that the PMR staff size decreased slightly with more emphasis on the use of ad hoc personnel to augment the permanent staff for the PMRs. Additionally, the PMR staff was assigned other responsibilities such as conducting the DARCOM Civilian Procurement Career Program, special studies, reviews, and consultations. [Ref. 4:pp. 6-7]

Within the Department of the Air Force, Lilley and Correia found that the Air Force abandoned the PMR program in 1974 as a result of funding cutbacks. As a result, the PMR staff consisted of only an Air Force Colonel in the Office of the Deputy Chief of Staff, Systems and Logistics, who was given full responsibility for the PMR program. The PMR staff was required to conduct special study projects when assigned. [Ref. 4:p. 9]

Within the Department of the Navy, Lilley and Correia discovered that the PMR program responsibility was delegated from the Department's headquarters level to the then Naval Material Command (NAVMAT) with specific responsibility for

Navy field procuring activities delegated to the Naval Supply Systems Command (NAVSUP). NAVMAT retained responsibility for the CMR function (i.e., the review for contract administration offices) and for the PMR function for Navy major commands. They found that the PMR program was not used as a formal program as intended by DOD Directive 5126.34. Instead, it was used as a method to conduct special reviews only in areas of special interest or increased problems. In the area of field procuring activities, the reviews conducted were not as detailed as the required PMR. Additionally, Lilley and Correia found that the PMRs were being conducted in concert with Inspector General (IG) inspections. [Ref. 4:p. 10]

Within DLA, Lilley and Correia found that the PMR function was divided between two separate staffs: one conducting PMRs on purchasing activities and one conducting CMRs on contract administration offices [Ref. 4:pp. 11-12]. The staff conducting reviews of purchasing activities suffered a 40% reduction in personnel over a five year period while being required to accomplish several independent studies for DOD. The staff conducting reviews of contract administration offices appeared to be adequately manned, with augmentation to the permanent staff by ad hoc specialists occurring whenever required. The staff prepared well for their reviews and conducted thorough analyses of required areas. The probable reason for adequate staffing and review in the contract administration area was due to the Deputy Director of Contract

Administration Services being extremely interested in the CMR program. [Ref. 4:pp. 11-12]

As evidenced by the Lilley and Correia study, the interest in the PMR program by top management of the Military Departments and DLA was dissipating. The PMR function was delegated to levels lower than the DOD component headquarters level and PMR personnel levels were being reduced while increasing their workloads for special studies. Apparently, this reduced performance of the PMR program continued due to the nonenforcement of DOD Directive 5126.34 by top DOD management themselves.

The low level of interest in the PMR program continued through 1980. In 1980, LTC Charles R. Thompson, U. S. Army, wrote a research paper that addressed the decline in the DOD PMR program. Within the Department of the Army, the PMR function was delegated to DARCOM in 1972. But in 1979, the PMR function was returned to the headquarters level of the Department under the cognizance of the Assistant Secretary of the Army for Research, Development, and Acquisition. Within the Department of the Navy, the PMR function remained at NAVMAT and NAVSUP. Within the Department of the Air Force, the PMR function was resident with the Air Staff, Deputy Chief of Staff, Research, Development, and Contracting, Directorate of Contracting and Acquisition Policy. At DLA, the PMR function remained at the headquarters level. Therefore, only

the Army and DLA maintained their PMR staffs at the required level as indicated by DOD Directive 5126.34. [Ref. 5:p. 20]

Staffing for the PMR function continued its reduction. As shown in the chart below, LTC Thompson's findings revealed a definite reduction in PMR staffing among the Military Departments and DLA [Ref. 5:p. 22]:

<u>Department</u>	<u>1962</u>	<u>1971</u>	<u>1976</u>	<u>1980</u>
OSD		3	1	1
Army		11	11	9
Navy		12	6	6
Air Force		18	1	1
DLA		<u>20</u>	<u>18</u>	<u>14</u>
Totals	70	64	37	31

One final area that LTC Thompson examined was follow-up action and recommendation adoption. Although DOD Directive 5126.34 required follow-up action, none of the Military Departments, including DLA, required or accomplished them, with the exception of the Navy. Because there were no follow-up actions, there was no way to determine if recommendations of the PMR team were being instituted (Navy figures were not compiled for the study). [Ref. 5:pp. 27-28]

It is interesting to note the continuing decline of the PMR program. Again, top DOD management did not enforce the requirements of DOD Directive 5126.34, allowing the Military Departments and DLA to decide for themselves if and when to conduct PMRs. At times, this situation allowed filtering of some significant findings and recommendations before going to Department headquarters [Ref. 5:p. 20]. Several procurement professionals interviewed by LTC Thompson stated that the PMR

reports became useless and repetitive in their findings [Ref. 5:p. 24]. It is quite possible that the PMR reports became useless because the PMR personnel reductions combined with additional study tasks prevented a thorough analysis to be completed. It is also possible that since there was little emphasis on the PMR program at the DOD secretariat level that PMR personnel felt they had to justify the program's existence by reporting findings even though they were minor, irrelevant, or repetitive. Finally, LTC Thompson's paper revealed that the move of the PMR program's executive agent from OSD to DLA added to the decline of the program [Ref. 5:p. 20]. With intense media coverage of overall Federal procurement inefficiencies, reform of the Federal procurement process was beginning. In 1982, President Reagan issued Executive Order 12352 concerning Federal procurement reforms. Although the Executive Order was all encompassing, a specific subsection of the order appeared to revitalize the PMR program [Ref. 11]:

To make procurement more effective in support of mission accomplishment, the heads of executive agencies engaged in the procurement of products and services from the private sector shall designate a Procurement Executive with agency-wide responsibility to oversee development of procurement systems, evaluate system performance in accordance with approved criteria, enhance career management of the procurement work force, and certify to the agency head that procurement systems meet approved criteria.

As the reforms took effect, the intent of DOD Directive 5126.34 should have brought new meaning to the PMR program with the President's Executive Order.

In January 1986, the DODIG completed an audit survey of the Military Departments and DLA to determine if the agencies were in compliance with DOD Directive 5126.34. Their report was sent to ASD(P&L) in May 1987 [Ref. 3:p. 1]. The DODIG findings were surprising given the top level interest as a result of Executive Order 12352.

Within the Department of the Army, the survey determined that the PMR program responsibility was at the headquarters level. The five permanent PMR personnel at the headquarters level conducted no PMRs during Fiscal Year (FY) 1985 due to their assignment to various special studies. They did not know how many PMR personnel were assigned to the program in the field or how many PMRs were completed by them in FY 1985. There were 51 PMR personnel at five major commands assigned to the program on a part-time basis. During FY 1985, they completed 30 PMRs out of a possible 222 procurement and contract management offices. There were no records of PMRs conducted at other Army procurement and contract administration offices. [Ref. 3:p. 5]

Within the Department of the Navy, the survey found that the Office of Naval Acquisition Support had responsibility for the PMR program. At that level, the Navy had five permanent PMR personnel that conducted PMRs on 23 of 30 major procurement offices during FY 1984 and FY 1985. At a lower level, NAVSUP employed 84 permanent PMR personnel and 30 part-time personnel to conduct PMRs on 400 of 841 field procuring

activities during FY 1985. The Navy manned the PMR program with sufficient PMR personnel to maintain a two to three year review cycle on each procuring activity. According to the survey, the Navy most closely complied with the PMR program. [Ref. 3:p. 5]

Within the Department of the Air Force, the survey reported that the Air Force terminated the PMR program in 1974. The Air Force contended that the intent of DOD Directive 5126.34 was fulfilled through other audits, inspections, and special reviews. The Service believed that the responsibility for a PMR should be decentralized. The Office of the Deputy Chief of Staff for Research, Development, and Acquisition, which was located at the Department headquarters, ordered several special studies that were designated PMRs, but the DODIG believed the reviews did not meet the requirements of the PMR program. These special studies were conducted by one person on a part-time basis with help from ad hoc personnel. [Ref. 3:p. 5]

Within DLA, the study found that the PMR program resided with two separate offices: the Directorate of Contracting for procurement activities and the Directorate of Contract Administration for contract administration activities. In FY 1985, six PMRs were conducted by the Directorate of Contracting by two part-time personnel along with additional ad hoc personnel. Also in FY 1985, 36 staff assistance visits, not PMRs, were conducted by the Directorate of

Contract Administration by ad hoc personnel only. These staff assistance visits did not meet the requirements of the PMR program. Additionally, these visits did not occur on a two to three year cycle as required. Most importantly, DLA had not issued the required semiannual report from the Military Departments and DLA to ASD(P&L) since March 1980. [Ref. 3:p. 6]

The most significant finding of the DODIG survey was the lack of monitoring of the PMR program by ASD(P&L). Responsible personnel were unaware of the nonsubmission of the semiannual reports from DLA. They were also unaware of the reduction in PMR program personnel among OSD, the Military Departments, and DLA, which had dropped from about 31 in 1980 to 13 in 1985. [Ref. 3:p. 4]

As evidenced by this 1986 DODIG survey, the decline of the PMR program directed by DOD Directive 5126.34 continued even after Executive Order 12352 was issued in 1982. Again, top DOD management failed to impress the importance of the program to the Military Departments and DLA. The same trends continued: reduction of personnel, reduction of PMRs conducted, and reduction of supervision over the program. In the era of sweeping Federal procurement reforms, the control measure to ensure that the reforms were in fact taking place was nearly nonexistent. As the days of the declining defense budget continue, more attention will be focused on cost reductions and economizing activities. The method to ensure

that cost reductions and economizing activities take place rests with the proper execution of the PMR program through adequate funding, adequate staffing, and continual monitoring. Perhaps DOD could learn from the thoughts and actions taken by the private sector in the area of purchasing management.

Over the years, the private sector has increased their attention toward purchasing or procurement importance within the organization. Neglect of the purchasing function has been diminishing because organizational management realizes that on average, the purchasing unit spends over 50% of organizational revenues [Ref. 12:p. 1]. Additionally, the private sector realized that a dollar saved in purchasing translates into a new dollar of profit while another dollar in sales contributes less to profit due to additional selling expenses [Ref. 13:p. 1]. The perceived importance of the purchasing function has been evidenced by its rise within the organizational hierarchy in a majority of firms [Ref. 14:p. 115]. The Government has followed business' lead by elevating the procurement function within the DOD as evidenced by the establishment of the USD(A) [Ref. 10:p. 166].

Why should these trends in business be of importance to DOD procurement? The simple answer is that the private sector has the greatest incentive to maximize their procurement efficiency and effectiveness: increased profits. The private sector maximizes profits by minimizing costs. Although DOD procurement does not function to generate profits, it should

function to reduce costs without sacrificing quality (i.e., increase efficiency and effectiveness). As a result, there must be some sort of monitoring done by top management to ensure compliance with established policies aimed at increasing efficiency and effectiveness.

In 1979, Robert Spekman revitalized the need for organizations to conduct a purchasing audit (the private sector's version of the PMR). He concluded that past indifference among top business management toward purchasing audits was due to their nonrecognition of purchasing's role in generating profits (or reducing costs) [Ref. 12:p. 2]. Apparently, the same indifference pervaded the top DOD management since the initial years of the PMR program.

D. ELEMENTS

There are several characteristics of a purchasing audit. The focus of the audit should be broad so that all activities of a purchasing department can be evaluated. The audit should be conducted by people that are impartial and unaffiliated with the organization being reviewed, thereby ensuring the potential for an objective report [Ref. 12:p. 2]. Another characteristic of a purchasing audit is that it should be systematic; the more methodical the audit, the more comprehensive the results [Ref. 12:p. 2]. Instead of being done in special situations, the audit should be conducted periodically. Periodical evaluations provide a record of past

performance that may indicate trends and serve as a basis for subsequent audits [Ref. 12:p. 2]. The purchasing audit should be a positive, nonadversarial evaluation that serves as a means of determining problems and opportunities. [Ref. 12:p. 2]

The intent of DOD Directive 5126.34 was to structure the Defense PMR program much like the purchasing audit in the business world. It was a means by which top DOD management could measure the performance of the procurement activities within the Military Departments and DLA. Reform of the Federal procurement system is a step in the right direction, but without a method of measurement, the reforms may prove ineffective.

Do the costs associated with measurement justify the benefits? According to Victor H. Pooler, good measurements provide [Ref. 15:p. 82]:

- (1) an aid to improvement;
- (2) better information to management;
- (3) more knowledge about the department;
- (4) increased awareness of events and attitudes;
- (5) a basis to establish superior performance of individuals; and
- (6) feedback from appraisal against certain standards.

These six benefits of measurement appear to be logical results that an organization's top management would desire to have in order to improve efficiency and effectiveness. It seems that

the business world has realized that the benefits of measurement outweigh the costs.

Management is defined as the act or manner of handling, directing, or controlling the affairs of an institution or business [Ref. 16:p. 811]. Depending on the author, there are eight functions of management: planning, decision making, organizing, staffing, communicating, motivating, leading, and controlling [Ref. 17:p. 14]. Of the management functions, the PMR program falls in the category of controlling. Controlling is simply comparing desired results with actual results and taking necessary corrective action [Ref. 17:p. 454]. To be able to make a comparison, management must have some kind of feedback system. An audit is a way that management can compare desired with actual results so that adjustments can be made to increase effectiveness and efficiency, if needed; it aids management in controlling the organization. Without a feedback system to ensure control, the management of DOD will continue to face incidents highlighted by the media such as purchases of \$500 hammers and \$10,000 toilet seats. Another example of losing control occurred in 1978 when the Pentagon had \$30 billion unaccounted for in undelivered foreign orders of weapons, equipment, and support services. Since the accounting was in disarray, it was unknown if there were serious accounting errors, misspent money, or undercharged foreign customers [Ref. 17:p. 459]. DOD procurement

activities can be effectively and efficiently controlled with an audit such as the PMR program.

E. SUMMARY

This chapter discussed the genesis and progression of the Defense PMR program from the early 1960s when the need for ensuring the efficiency and effectiveness of Government procurement activities was identified in a study by Robert D. Lyons. The policy issued by SECDEF on the PMR program was presented as well as two independent studies that revealed that compliance with the PMR program was declining through the 1970s. The continued lack of emphasis on the PMR program was illuminated by a DODIG report in 1987. As the Defense PMR program was decreasing in its emphasis, the purchasing audit received increasing emphasis within the private sector. The elements and costs of the purchasing audit produced beneficial results for commercial business. These same results can be realized in Government procurement through the PMR program.

The next chapter will discuss the nature of field contracting within the Marine Corps. The contracting authority, organization, and responsibilities of the Service and its procurement personnel will be presented. Finally, the general operations of a contracting office will be discussed.

III. NATURE AND SCOPE OF MARINE CORPS FIELD CONTRACTING

A. GENERAL

The purpose of contracting for any organization is to acquire the necessary goods and services in order to accomplish the organization's mission. For the Marine Corps, contracting is a vital function in order to meet the material and service needs of both the operating forces and the supporting establishment. The Marine Corps Field Contracting System (MCFCS) acquires goods and services that are external to the Marine Corps supply system. In some instances, requirements for goods and services resident in the supply system are contracted for because of the urgency of the situation.

B. DERIVATION OF CONTRACTING AUTHORITY

Title 10, Section 137 of the United States Code (10 USC 137) empowers the head of a Government agency to contract for goods and services that are paid for from appropriated funds. The Secretary of the Navy (SECNAV), a Government agency head, delegates this authority to the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN(RDA)). The authority to contract for goods and services is further delegated to designated heads of a contracting activity (HCA). Within the Marine Corps, the ASN(RDA) has designated the

Commandant of the Marine Corps (CMC), the Deputy Chief of Staff for Installations and Logistics (DC/S I&L), and the Commanding General of the Marine Corps Systems Command (CG MARCORSYSCOM) as HCAs. The contracting officers within the MCFCS derive their contracting authority as enumerated in 10 USC 137 from the DC/S I&L; they are appointed by name by the DC/S I&L. [Ref. 18:p. 2-15]

C. RESPONSIBILITIES AND ORGANIZATION

Under the purview of the DC/S I&L, the Contracts Division of Headquarters Marine Corps (HQMC) is responsible for planning, coordinating, supervising, and providing functional oversight while ensuring compliance in all matters about contracting with the exception of military construction. Specifically, it is to conduct and supervise direct contracting for all types of material (except for weapon systems and other tactical equipment) and services by HQMC and provide functional management of field contracting activities. Additionally, the Contracts Division is to provide contract/acquisition advice and assistance to HQMC and the field contracting offices. Finally, it has the responsibility for managing the Marine Corps PMR program. [Ref. 19:p. 3-103]

The Field Contracting Support Branch of the Contracts Division at HQMC is directly responsible for the functional management of the field contracting and purchasing activities of the MCFCS. Its functions include the review, analysis,

interpretation, and dissemination of policies, directives, and other information from higher echelons which may affect field contracting and purchasing operations; the supervision of contracting procedures and methods of the MCFCS; and the collection and analysis of contractual information and statistics from which reports are made for high-level review. Additionally, the branch is responsible for the organization and conduct of the Marine Corps PMR program [Ref. 19:p. 3-111]. It attempts to conduct PMRs on the MCFCS every three years by forming ad hoc teams that actually perform the review. The team usually has one to three permanent members from the Contracts Division of HQMC while the ad hoc members come from field contracting offices other than the one being reviewed. Although this turnover in team members has lead to inconsistency in the PMR report, it allows a constant flow of ideas from actual operators in contracting while minimizing the requirement for permanent personnel. Currently, the branch uses the Naval Supply Systems Command's "Contracting Management Review Team Augmentees Handbook" as a guide for conducting PMRs within the MCFCS. [Ref. 20]

The MCFCS currently has ten field contracting offices located throughout the Marine Corps. These contracting offices have one to six contracting officers who receive their warrant to contract from the DC/S I&L. All Marine Corps contracting officer warrants are for unlimited monetary procurements. However, this authority is limited to firm

fixed-price type contracts unless prior approval for an alternate contract type is obtained from the Contracts Division of HQMC [Ref. 18:p. 2-5]. According to Marine Corps Order P4200.15G, contracting officers [Ref. 18:p. 2-15]:

- (1) Are primarily responsible for the execution and administration of contracts and for safeguarding the interests of the United States in contractual relationships;
- (2) Shall personally sign all contracts and amendments or modifications thereto. This authority cannot be delegated to others. The signing of contractual documents shall not be accomplished by facsimile stamps or by proxy;
- (3) Are responsible under law and regulations for their acts as contracting officers;
- (4) Are responsible for knowing the scope and limitation of their authority;
- (5) Shall be bound in all their actions to exercise reasonable care, skill, and judgment;
- (6) Must assure themselves that the contract is authorized by law, that funds are available, and that the Government or its property is not subject to any unusual risks unless specifically authorized;
- (7) Are responsible for challenging requirements which do not seem to be legitimate needs of the Marine Corps, or which seem to exceed its minimum needs;
- (8) Are responsible for determining that prices paid are fair and reasonable;
- (9) Are responsible for performing or having performed any legal or administrative actions necessary to properly assure the satisfactory performance of their contracts;
- (10) Are responsible for the legal, technical, and administrative sufficiency of the executed contracts. They should not hesitate to secure legal and technical advice from the Contracts Division of HQMC (CMC(LB)) on technical matters and legal advice from regional counsel. Contracting officers are permitted to communicate directly with the CMC(LB) on technical matters and directly to regional counsel on legal matters;

(11) Are responsible for ensuring that contract files supporting negotiated actions are documented per the Federal Acquisition Regulation (FAR) part 4.8 and 15.808. In addition to the FAR requirements, contracting officers shall ensure that written documentation of all negotiations, including negotiations with unsuccessful offerors, is prepared and maintained in the official contract files; and

(12) Are responsible for maintaining constant cognizance with respect to contract performance by the contractor.

The MCFCS also includes 17 limited purchasing offices which are only authorized to utilize small purchase procedures for goods and services that do not exceed \$25,000 per individual purchase. The limited purchasing office may place orders against indefinite delivery type contracts up to \$100,000 or to the maximum ordering limit of the contract, whichever is less [Ref. 18:p. 2-6]. Purchasing officers are appointed by the commander of an activity that may or may not have a contracting officer. In either case, the purchasing officer only has open-market authority not to exceed the small purchase limitation. In most cases, a unit supply officer will serve as the purchasing officer. Finally, purchasing officers will be under the technical direction of the activity contracting officer if one is resident [Ref. 18:p. 2-9].

Finally, the MCFCS includes 224 minor purchasing activities located at recruiting stations, reserve units, Marine Barracks, Marine Corps security force companies, landing force training commands, Fleet Marine Force units in permanent garrison overseas, and other miscellaneous activities. These minor purchasing activities are authorized

to purchase goods and services not to exceed \$2,500 per individual transaction. In addition, they may place orders against indefinite delivery type contracts not to exceed \$10,000 or to the maximum ordering limit of the contract, whichever is less. If a minor purchasing activity is located on or near a major DOD installation, it should attempt to obtain local purchase support from that activity. If the commanding officer determines that the requisite purchasing support cannot be obtained, the activity may retain the minor purchasing function although it must be re-determined prior to each fiscal year. [Ref. 18:p. 2-7]

D. ORGANIZATION AND OPERATIONS OF A TYPICAL FIELD CONTRACTING OFFICE

The organization of Marine Corps field contracting offices are very similar to one another with minor variations. Generally, field contracting offices are organized into a contracts section(s), a small purchase section(s), and an administration/operations section, depending on the number of customers and volume of requirements that the office must satisfy [Refs. 21-26]. The contracts section is not organized by commodity, but by contracting functions alone. It solicits, negotiates, and awards contracts for supplies and services. Most of these sections will administer their own contracts although a few field contracting offices have this

function completed by the administration/operations section.

[Refs. 21-26]

The small purchase section is simply divided between blanket purchase agreement (BPA) activities, imprest fund activities, and standard small purchases. In some instances, the small purchase activities are divided by commodity. This section follows small purchase procedures for procuring supplies and services. A few field contracting offices have the small purchase function absorbed into buying units that handle both contracts and small purchases. [Refs. 21-26]

The administration/operations section typically handles functions such as report generation; distribution of incoming procurement requests (PRs); incoming and outgoing communications; mail, file, and receptionist services; and, when tasked, contract administration. This section provides the coordination required to maintain the flow from requirements generation to requirements fulfillment. [Refs. 21-26]

The field contracting offices follow a generally standard process when procuring supplies and services. Once a PR is received by the office, the administration/operations section documents its arrival, enters applicable information into the Base Contracting Automated System (BCAS) for monitoring, and distributes it to either a contracts or small purchase section. Normally, a supervisor or contracting officer will assign the PR to a specific section depending on workload in

order to ensure that each section proportionally handles complex acquisitions. If it is within the small purchase threshold, the requested supplies or services will be procured using BPAs, imprest funds, or other small purchase procedures. If the PR exceeds the small purchase threshold, the supplies or services will be procured by one of the contracts sections using the sealed bid method. The competitive proposal method is used infrequently within the MCFCS because the majority of procurements are for non-complex supplies or services where an award can be made on price or price related-factors alone. The contracts section will develop the solicitation, publish an invitation for bid (IFB), evaluate the responsiveness and responsibility of the bidders, and award a contract to the lowest responsive and responsible bidder [Refs. 21-26]. After legal review, the contract can be signed [Ref. 18:p. 2-20].

If a contract action is expected to exceed \$300,000, the field contracting office must submit a business clearance memorandum to the Field Contracting Support Branch of HQMC (CMC(LBO)) prior to contract award [Ref. 18:p. 2-17]. Additionally, the field contracting office must submit the Individual Procurement Action Report (DD Form 350) for each procurement action of \$25,000 or more and the Monthly Procurement Summary (DD Form 1057) for actions of \$25,000 or less [Ref. 18:pp. 11-3 to 11-12]. These reports are the only periodic reports that have to be submitted to the DC/S I&L [Ref. 18:pp. 11-1, 11-3].

E. SUMMARY

Although the amount of money spent on procurement by the MCFCS is small compared to the other Services, the nature and scope of the MCFCS is quite extensive considering the contracting functions that must be performed in order to procure goods and services from the private sector. Given the responsibilities of the Field Contracting Support Branch of HQMC, the PMR becomes a most important tool in order for the HCA to maintain oversight of the contracting function.

This chapter identified the derivation of contracting authority for the Marine Corps. The responsibilities and organization of the contracting function within the Marine Corps was traced from the CMC to the Contracts Division, the Field Contracting Support Branch, and the ten field contracting offices. Additionally, the organization and operations of a typical field contracting office.

The next chapter will identify and compare the purpose and intent of the total quality management (TQM) philosophy and the PMR program. Applicable elements of W. Edwards Deming's TQM philosophy to the structure of a Marine Corps PMR guide will be discussed as a basis for incrementally implementing TQM into the contracting function.

IV. APPLICABLE ELEMENTS OF TOTAL QUALITY MANAGEMENT

The measurement and improvement of performance or quality has traditionally been accomplished through inspection. These inspections would examine all end items or a random sample of them in an effort to detect errors or to ensure compliance with laws, regulations, or higher level desires. Compliance with laws is an absolute; it is a rigid requirement until the applicable laws are repealed or amended. However, compliance with regulations and higher level policy evokes the same rigidity as legal compliance. It is true that regulations and higher level policy normally are in concert with the laws that they attempt to enforce, but occasionally, they are interpreted to be very restrictive when, in fact, flexibility may have been intended and allowed within the limits of the law. This rigidity, coupled with the propensity for end item inspection, seems to be a constant problem for inspectors and inspectees when it comes to measuring or improving performance or quality.

The PMR program was established in order for the Military Departments and DLA to [Ref. 2:p. 1]:

periodically review the operations of their procurement organizations, including the procedures, policies, directives, and methods used to measure and improve efficiency and effectiveness.

The intent of the PMR should be to measure and improve procurement efficiency and effectiveness. In other words,

procurement quality should be measured and improved. The measurement and improvement of quality is the main theme of the Total Quality Management (TQM) philosophy. There are many broad definitions of TQM. Specifically, TQM is [Ref. 27:p. 1]:

the application of quantitative methods and human resources to assess and improve the materials and services supplied to an organization, all significant processes within that organization, and the degree to which the needs of the customer are being met, now and in the future.

By definition, the PMR program and the TQM philosophy have nearly identical goals.

A. BACKGROUND OF TOTAL QUALITY MANAGEMENT

The true beginning of the TQM philosophy evolved from the work of Frederick W. Taylor in the late 19th century [Ref. 28:p. 1]. Known as the father of scientific management, Taylor labored to end industry's unsystematic practices, inefficiency, and waste by standardizing processes, conducting time and task studies, using systematic selection and training, and structuring pay incentives. He measured and improved processes by closely examining how the work processes were done. This management philosophy was a departure from the style where managers simply told laborers to work harder. [Ref. 17:pp. 42-44]

Toward the end of World War I, Walter Shewart, a Bell Laboratories physicist, began designing a radio headset for

military use. While establishing design parameters, Shewart determined that the distance between the ears of the wearer appeared to be a normal distribution (bell shaped curve). As a result, he wondered if man-made processes followed a normal distribution and after considerable study, he determined that nearly all types of repeatable activities, both manufacturing and administrative, displayed this property of variation [Ref. 28:p. 1]. Subsequently, Shewart developed a variation measuring system called statistical process control (SPC) which, in essence, provided a means to detect process problems that produce defective items before many defectives are produced [Refs. 28:p. 1; 14:387].

During World War II, the War Department hired a Shewart student, W. Edwards Deming, to teach SPC methods to the U. S. defense industry in order to avoid poor quality in materiel used by the military. Poor quality in materiel became vital to the war effort and the national security. At the time, the effort was so critical that the methods instructed were classified as military secrets. [Ref. 28:p. 1]

After the end of World War II, the quality improvement effort slowed, mainly because of U. S. industry movement toward quality control and end item inspections [Ref. 28:p. 1]. The techniques of Shewart and Deming were nearly abandoned until U. S. occupation forces in Japan invited Deming to assist in their post-war management efforts. While there, Deming was asked to give lectures to Japanese

scientists, engineers, and managers on quality. The rebuilding Japanese industries embraced Deming's teachings (and those of others) on quality improvement which has resulted in the current world domination of Japanese industries in many markets. Today, Deming's teachings are known as total quality management (TQM). [Ref. 28:p. 1]

The TQM philosophy began within the DOD in the early 1980s at a few field activities such as logistics activities. A major push toward TQM implementation came in the mid-1980s through the efforts of Rear Admiral John Kirkpatrick while the commander of the Naval Air Logistics Center [Ref. 29:p. 110]. As a strong believer in Deming's teachings, RADM Kirkpatrick established a TQM policy at the six Naval Air Rework Facilities (NARFs), which were the Government facilities that overhauled and repaired aircraft. As a result, he changed the name of the NARFs to Naval Aviation Depots because rework suggested that the work was incorrectly performed in the first place. [Ref. 29:p. 110]

The TQM philosophy did not enter the secretariat level of the DOD until a Deputy Assistant Secretary of Defense named Bob Stone became a TQM advocate. His direction of the Model Installations Program gave high level support to innovate ways of thinking and operating [Ref. 29:p. 110]. In 1988, a major milestone of TQM came when SECDEF Frank Carlucci signed a document that fully supported the implementation of TQM throughout the DOD [Ref. 29:p. 110]. Later, the USD(A) John

Betti gave strong support to TQM through his creation of the position of the Deputy Under Secretary for TQM [Ref. 29:p. 110].

At DLA, the Contractor Quality Assurance Program (CQAP), which was a part of contract administration, was replaced by the In-plant Quality Evaluation (IQUE) in 1990 [Ref. 30:p. 6]. Although IQUE did not begin as a result of TQM, it closely follows its basic tenets of defect prevention vice defect detection and the focus on process verification. According to this new philosophy, the focus should be on processes because if processes are working correctly, the outputs will be as expected. [Ref. 30:p. 7]

On February 10, 1992, the SECNAV, the Chief of Naval Operations (CNO), and the CMC signed a strategic plan for total quality leadership (TQL) (the DON version of TQM) within the Department [Ref. 31]. The strategic plan consists of a vision statement, a set of guiding principles, and strategic goals that overwhelmingly focus on quality. Specifically, one of the most important responsibilities that the DON has is to take control of and improve all the systems and processes that are used to support Sailors and Marines. For the acquisition community, the goal is to continuously improve the acquisition process to achieve timely support for the Navy and the Marine Corps. [Ref. 31]

B. APPLICABLE ELEMENTS OF TOTAL QUALITY MANAGEMENT

The TQM philosophy is premised on the belief that a major cultural change will be required within most organizations in order to obtain maximum benefit from this management philosophy [Ref. 32:pp. 18-22]. However, the researcher believes that this cultural change can be achieved incrementally with the gradual implementation of directly applicable elements of TQM. Within the contracting field, the PMR is a prime vehicle to advance the quality of operations while measuring performance. In his theory of quality, Deming developed 14 obligations of management as follows [Ref. 32:pp. 23-24]:

- (1) Create and publish to all employees a statement of the aims and purposes of the company or other organization. The management must demonstrate constantly their commitment to this statement.
- (2) Learn the new philosophy, top management and everybody.
- (3) Understand the purpose of inspection, for improvement of processes and reduction of cost.
- (4) End the practice of awarding business on the basis of price tag alone.
- (5) Improve constantly and forever the system of production and service.
- (6) Institute training for skills.
- (7) Teach and institute leadership.
- (8) Drive out fear. Create trust. Create a climate for innovation.
- (9) Optimize toward the aims and purposes of the company, the efforts of teams, groups, staff areas, too.

- (10) Eliminate exhortations for the work force.
- (11) a. Eliminate numerical quotas for production. Instead, learn and institute methods for improvement.
b. Eliminate management by objective. Instead, learn the capabilities of processes, and how to improve them.
- (12) Remove barriers that rob people of pride of workmanship.
- (13) Encourage education and self-improvement for everyone.
- (14) Take action to accomplish the transformation.

Of these 14 obligations, five can be advanced and embraced by the PMR program, as discussed below.

Deming's third obligation states that the purpose of inspection is to improve processes and reduce costs. The inspection should not be an end item identification of defects. In the past, the PMR, as an inspection, was a means to detect the defects of a contracting office's operations and not to assist in improving the processes that may have produced the defects [Ref. 33:p. 49]. The PMR would identify "what" was wrong, but it did not reveal "how" it became that way or "how" to fix it. This focus of the PMR can be changed to include the measurement of contracting processes with the purpose of defect prevention and not defect detection.

Deming's fifth obligation states that the system of production and service should be constantly improved. These systems are the responsibility of each contracting officer. However, in times of manpower shortages, the contracting officer's resources to maintain the systems are strained; the

resources to constantly improve them need augmentation. Outside consultants, such as the PMR team, could provide valuable insight into the systems' potential for improvement in order to prevent defects and to streamline the acquisition process.

The sixth obligation of Deming emphasizes training for skill development. Although most managers and, especially, contracting officers realize the importance of training, it is usually the first area where funding is curtailed when the budget is reduced. This is a sad fact of organizational life. However, the PMR team provides an excellent resource for providing on-site training as part of their review. The team members are normally experts within several different areas of contracting and can provide a wealth of knowledge without reducing the contracting office's budget. The PMR team's time will be well maximized if quality training were made part of the review process. Quality training provided by a PMR team would be welcomed by field contracting personnel [Ref. 33:p. 38].

The next applicable obligation of Deming is the eighth obligation. Managers at all levels should drive out fear and create an atmosphere of trust, which will collectively create a climate for innovation. Within the scope of the PMR, a somewhat adversarial relationship exists between field contracting personnel and the PMR team [Ref. 33:pp. 48-49]. A 1990 thesis by Brian L. McMillan indicated that perceptions

of PMR teams and field personnel concerning the relationship between them were disparate [Ref.McMillan:pp.48-49]. Headquarters personnel that comprised the PMR teams believed that the atmosphere of the PMR was one of providing assistance where identifying and solving problems were emphasized and reporting problems were not. They felt that a compliance checklist mentality was never utilized in performing PMRs. However, field contracting personnel believed that headquarters personnel comprising the PMR teams were preoccupied with identifying and reporting deficiencies using some type of checklist while virtually ignoring the root causes of deficiencies in order to provide concrete solutions to systemic problems. [Ref. 33:pp. 48-49]

The last applicable obligation of management to TQM implementation is Deming's eleventh obligation. It states that methods for improvement should be instituted and that capabilities of processes should be learned and improved upon. Although headquarters PMR personnel espouse process improvement through technical assistance, field contracting personnel believe that they do not assist in the identification and correction of the root causes of deficiencies [Ref. 33:p. 54]. An application of Deming's eleventh obligation with regards to a PMR requires the focus on improving systems in order to prevent deficiencies rather than the mere reporting of deficiencies. Clearly, the traditional inspection philosophy must be altered in order to

institutionalize the improvement of processes. The TQM philosophy toward the conduct of a PMR is a desirable element among headquarters and field contracting personnel [Ref. 33:p. 50].

C. SUMMARY

This chapter identified and compared the purposes and intents of the TQM philosophy and the PMR program. A direct correlation exists between TQM and the PMR with regards to measurement and improvement of efficiency and effectiveness (e.g., quality). The beginning of the TQM philosophy was traced from Frederick W. Taylor, the father of scientific management, to W. Edwards Deming, the most well-known advocate of TQM. The introduction of TQM into the DOD was identified and examples of their application were given by the reorganization of the NARFs for aircraft maintenance and DLA's development of IQUE for contract management. Of Deming's 14 obligations of management, five of these obligations were suggested to be directly applicable to the PMR as a vehicle for TQM implementation. An incremental approach to implementation of TQM within the PMR process was suggested through the application of the five identified obligations.

The next chapter presents the data used to develop the process and guide for conducting the PMR within the Marine Corps. The current state of the Marine Corps PMR program will also be examined. Additionally, the chapter will include the

details of how PMRs are performed by DLA, the Army, the Navy, and the Air Force. From the data presented, a draft guide will be developed for review by Marine Corps field contracting personnel to determine if it adds value to the PMR process.

V. DATA PRESENTATION

A. CURRENT STATE OF MARINE CORPS PROCUREMENT MANAGEMENT REVIEW GUIDANCE

The Field Contracting Support Branch of HQMC is tasked with conducting PMRs on all field contracting offices within the MCFCS [Ref. 19:p. 3-11]. It attempts to review the field contracting offices once every three years as stated in the Navy Acquisition Procedures Supplement (NAPS), although this schedule has varied from three to seven years between reviews [Refs. 23; 25]. Presently, the Field Contracting Support Branch has no written structure for the conduct of the PMR on the 10 field contracting offices and no written guide for them to prepare for the PMR. Typically, the personnel that comprise a PMR team consist of two to seven personnel from the Contracts Division of HQMC and one to three personnel from a field contracting office [Refs. 21-26]. All of these personnel are assigned on an ad hoc basis; there are no permanent PMR team members. Additionally, there are no written procedures to guide the preparation for and the conduct of the PMR by the ad hoc personnel. The only guidance that PMR team members receive comes from the "Manual for Review of Contracting and Contract Management Organizations" from DLA and the "Contracting Management Review - Team

Augmentees Handbook" from the Naval Supply Systems Command (NAVSUP) [Ref. 20].

After a PMR is conducted on a field contracting office, the PMR team drafts a PMR report that summarizes their findings and recommendations. A resulting grade of satisfactory or unsatisfactory is assigned and is submitted through the Contracts Division of HQMC to the DC/S I&L for signature. The PMR report is then sent to the Commanding General of the base that the contracting office services [Ref. 33:p. 25]. According to the directors of the ten Marine Corps field contracting offices, the recommendations given in the PMR report are, in essence, mandates instead of suggestions for improvement.

In 1990, Brian McMillan's masters thesis, A Proposed Guide for Improving the Organization and Conduct of Procurement Management Review within the Marine Corps Field Contracting System, identified several perceptions of PMR administration from the headquarters and field contracting levels. Personnel in the Field Contracting Support Branch of HQMC felt that the Marine Corps PMR program provided an outside source of technical assistance and advice to the field contracting offices instead of giving directions to be followed [Ref. 33:p. 23]. However, field personnel believed that the PMR overemphasized the reporting of deficiencies without providing the necessary technical assistance to identify the root causes of the deficiencies [Ref. 33:p. 54]. Additionally,

headquarters personnel believed that an inspection/checklist type of PMR should not be used and that the PMR should allow for maximum feedback from the field contracting personnel [Ref. 33:p. 48]. However, field personnel believed that the PMR was inspection/checklist based and that the PMR team limited feedback from the field [Ref. 33:p. 53]. In telephonic interviews with the directors of the Marine Corps' ten field contracting offices (or their deputies), the researcher found unanimous agreement that the same perceptions of the PMR program still exist [Ref. 34-43]. The researcher also found widespread agreement that field contracting experience was lacking in the composition of PMR teams which further substantiates the need for a comprehensive PMR guide [Ref. 34-43].

B. PROCUREMENT MANAGEMENT REVIEW GUIDANCE WITHIN THE DEFENSE LOGISTICS AGENCY

As the executive agent for the Defense PMR program, DLA published a guide entitled "Manual for Review of Contracting and Contract Management Organizations" in May 1989 [Ref. 44]. This guide embodied the belief that the PMR program was to provide a management consultant service to all contracting activities. Its objective is to improve the mission performance of defense contracting activities system-wide while giving recognition of and assistance in the cure of basic problems. Additionally, the PMR is not based on

compliance reporting or documentation of small or inconsequential problems [Ref. 44:p. I.1.1].

The DLA manual provides fairly comprehensive directions for the conduct of a PMR. Specifically, guidance is given on the selection and responsibilities of team members, the responsibilities of the team leader, the determination of information required for a pre-review analysis, the notifications of contracting activities, the plan for briefings, and the development of a work schedule [Ref. 44:pp. I.2.1-I.2.10].

The heart of the DLA manual is the specific questions that are used to guide the team members through the actual PMR. The guiding questions center around seven areas of concentration [Ref. 44:pp. II.1.1-II.7.9]:

- (1) mission and organization;
- (2) policies and procedures;
- (3) procurement planning;
- (4) contracting, solicitation, and selection procedures;
- (5) pricing;
- (6) post award functions; and
- (7) management of the contracting function.

The questions within each area of concentration are not specific "yes" or "no" type questions but, instead, are broader, more qualitative questions for which there are no single, precise answers. A small number of questions determine legal/regulatory compliance, but the majority of

them explore management options that could be used to increase proficiency. The questions in the mission and organization area explain what the contracting activity does and describe the size of the organization by reporting the number of procurement actions handled and total dollars spent. Additionally, organization charts with respect to the external and internal environments of the command are examined. [Ref. 44:pp. II.1.1-II.1.2]

The questions in the policy and procedures area examines external Government regulations such as the Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), the Defense Acquisition Circulars (DACs), and Departmental/Agency regulations in order to determine if they are available and current. Local directives in the form of standard operating procedures (SOPs) are also examined to determine if they repeat or deviate from the basic regulations. This area includes questions concerning the use of standard and special contract clauses; the processing procedures for signatory authority and contracting officer appointments; the use of contract award review boards; the use of reports; the examination of work flow charts; and the effectiveness of local forms and letters. [Ref. 44:pp. II.2.1-II.2.4]

The questions in the procurement planning area delve into the ability to manage a budget and schedule procurement actions in order to maximize responsiveness to all

requirements while increasing procurement efficiency [Ref. 44:p. II.3.1]. The PMR team examines the source and determination of requirements, i.e., the requiring organization activities, in order to assess the occurrence and adequacy of procurement planning and that funds are available for the proposed procurements. The extent of component breakout is studied to determine if benefits are attained and that splitting of requirements into separate procurements are justified. The PMR team examines the use of specifications, plans, drawings, and descriptions within the procurement request so that actual minimum needs are expressed in order to maximize competition. Procurement plans are reviewed to ascertain the appropriate usage of design, functional, or performance specifications. Additionally, the PMR team examines the proposed delivery schedules and lead times to determine if they are realistic; conducive to full and open competition; consistent with small business policies; and not unreasonably strict. An assessment is made of the need for technical data and the rights to its usage in the future. Finally, other subjects covered by the PMR team in the procurement planning area are quantity and quality considerations and industrial preparedness production planning. [Ref. 44:pp. II.3.1-II.3.7]

The questions in the contracting, solicitation, and selection procedures area involve the major subjects of the preaward phase for sealed bid or negotiated contracting with

topical coverage of small purchases [Ref. 44:p. II.4.1]. Within sealed bidding, the PMR team ensures the integrity of the process has not been compromised by such things as negotiation after receipt of bids or improper bid opening procedures. Additionally, questions surrounding the appropriateness of the sealed bid method in a particular procurement are pursued. Within negotiations, the PMR team determines the justification for its use over sealed bidding, the level of competition attained, and the percentage of dollars and actions it contributes to overall contractual actions [Ref. 44:pp. II.4.1-II.4.2].

Competition is explored to identify trends, extent of management emphasis, level of component breakout, and the utilization of justification and approvals (J&As) for other than full and open competition. Small purchases are given only topical coverage with such questions concerning percentage of use; extent of on-time deliveries and contractor payments; level of automation of small purchase procedures; documentation of fair and reasonable price determinations; equal distributions of blanket purchase agreements (BPAs); and evidence of split awards for meeting small purchase thresholds. [Ref. 44:p. II.4.2]

The types and kinds of contracts awarded are examined for their applicability, extent of letter contracts, extent of award-fee type contracts, use of proper clauses, business clearance justifications, field pricing assistance requests,

and use of weighted guidelines. Other considerations that affect the contracting method that the PMR team reviews are use of a competition advocate; instances of unsolicited proposals; use of life cycle cost (LCC) in the acquisition; applicability of multiyear contracting (MYC); maximized use of commercial products; extent of component breakout; extent of contracting out for applicable services; use of advisory and assistance services; extent of make-or-buy plans; use of qualified products lists (QPLs); and use of first article approvals in an acquisition. [Ref. 44:pp. II.4.4-II.4.5]

Other areas reviewed within contracting, solicitation, and selection are the use of bidders mailing lists (BMLs); preparation of the solicitation by using draft request for proposals (RFPs) and prebid/preproposal conferences; source selection through appropriate processing of bids and proposals; adherence to the source selection plan and/or evaluation criteria; discussions with all responsible offerors within the competitive range; and the integrity of the sealed bid and negotiation techniques. [Ref. 44:pp. II.4.6-II.4.8]

Finally, the PMR team analyzes the methods and techniques used in preparing, executing, documenting, and distributing contracts. These questions deal primarily with proper signatures, award dates, and effective dates. Also, questions concerning the contract files detail how the file is divided and composed in order to enhance efficiency. [Ref. 44:pp. II.4.8-II.4.9]

The questions from the pricing area help the PMR team determine the basis and adequacy of fair and reasonable price determinations. The PMR team examines if there is a data base of historic costs of supplies and services to serve as a comparison when procuring similar supplies and services [Ref. 44:p. II.5.1]. If cost analysis is utilized, the basis for estimating each cost element will be reviewed in order to determine the reasonableness of its usage. Instances of field pricing support requests, the use of cost analysis in developing negotiation objectives for business clearances, and the results from post-negotiation memoranda will be studied as well. If price analysis is utilized, the most favorable offer to the Government on an individual procurement will be based on the existence of competitive market prices; therefore, estimating cost elements in order to build a fair and reasonable price is not needed. Other considerations within the pricing area are that competitive range determinations are formally made and can be readily identified from the contract file; that evaluation criteria are set forth in the solicitation and are reasonable; that there is justification for a decision to pay more than the price that cost or price analysis yields; that conditions exist that constitute adequate determinations of price reasonableness; and that cost realism is determined whenever a cost type contract is to be awarded [Ref. 44: pp. II.5.4-II.5.6].

Finally, in the pricing area, the PMR team reviews contract provisions that have an effect on price. A determination is made that the cost impact of contract clauses was understood and intended by a contracting officer and was properly reflected in the contract price. The most common contract provisions that are examined by the PMR team are Government furnished property (GFP), progress payments, and economic price adjustments (EPAs). [Ref. 44:pp. II.5.6-II.5.7]

The next area of concentration where questions guide PMR team efforts is in the postaward functions. In this area, an assessment is made of the contracting activity's efforts in obtaining and analyzing data on postaward performance and management in order to effect timely action to mitigate or solve problems that arise between award and close-out actions [Ref. 44:p. II.6.1]. Location of the responsibility for postaward functions is determined; these functions are either retained by the procuring contracting office or assigned to a contract administration office. The extent and nature of the interface between the Procuring Contracting Officer (PCO) and the Administrative Contracting Officer (ACO) are examined as well as the need for postaward orientations for Government personnel [Ref. 44:pp. II.6.3-II.6.5].

The PMR team assesses the methods employed to monitor the progress of contractors and their adherence to the delivery schedule in the performance of the contract. Measurement of contractor performance includes all systems used for compiling

performance information on technical, schedule, and cost matters. The delivery, utilization, and repair of GFP is determined along with the level of product quality and inspection required by the contract. Other areas of consideration where questions guide the PMR team effort are recoupment of idle funds for reprogramming, the extent and causes of contract modifications, the extent of terminations for convenience, the application of a value engineering (VE) program, and the timeliness and adequacy of contract closures. [Ref. 44:pp. II.5.9-II.5.12]

The last area of concentration within the DLA manual is the management of the contracting function. The PMR team assesses the adequacy of management control systems and the extent of automation within the contracting activity [Ref. 44:p. II.7.2]. The adequacy of fiscal and personnel resources are determined through analysis of the organization's budget, staffing level, and training/education levels of contracting personnel. Additionally, personnel management is examined as to the level of personnel turnover and overtime used in accomplishing the contracting mission as well as the level of morale of the workforce. The PMR team ensures that standards of conduct and/or ethics training is accomplished on a periodic basis. Other considerations in this area are past performance on outside agency audits, reviews, and inspections; the working relationships of the contracting activity with other organizations; and the adequacy of

facilities used by the contracting office. [Ref. 44:pp. II.7.6-II.7.9]

As evidenced by the above data, the DLA manual is designed to provide the maximum degree of uniformity and flexibility in FMR coverage. It establishes broad standards and techniques for performing a PMR on a contracting activity and provides a basis for maintaining consistency in reviews [Ref. 44:p. I.1.3].

C. PROCUREMENT MANAGEMENT REVIEW GUIDANCE WITHIN THE DEPARTMENT OF THE ARMY

The responsibility for PMRs in the Department of the Army (DA) resides with the Assistant Secretary of the Army for Research, Development, and Acquisition (ASA(RDA)). This responsibility is delegated and carried out by the U. S. Army Contracting Support Agency (USACSA), which is a field operating agency of ASA(RDA). Within this agency, the PMR Branch of the Procurement Management Division actually performs the PMR. [Ref. 45:p. 1]

The objective of the Army PMR program is to aid all Army procurement and contracting organizations in the performance of their mission in the most effective and efficient manner; to ensure consistency in the application of procurement procedures throughout the Army; and to ensure the Army obtains the needed supplies and services at the required time and

place. The specific objectives of the Army PMR program are as follows [Ref. 45:pp. 2-3]:

- (1) to identify systemic problems Army activities are experiencing in the planning, management, execution, and administration of contracts;
- (2) to identify the source of these problems;
- (3) to ensure that Army contracting is being accomplished in accordance with applicable laws and regulations;
- (4) to recommend solutions and direct the needed corrective action to the appropriate level within the Army;
- (5) to provide a medium through which Army elements can surface the need for improved procurement policies, procedures, and practices;
- (6) to provide written feedback to the inspected activities to direct their attention to needed corrective action, and to provide a record of the review for long-term analysis and follow-up; and
- (7) to establish guidelines for the conduct of PMRs and to ensure they are being conducted at all levels within Army contracting activities.

According to the Chief of the Procurement Management Division (PMD) of USACSA, the PMR is designed to be a systemic view of the contracting organization instead of a traditional inspection or audit. The findings of the PMR team are observations passed on to the contracting management instead of mandates for corrective action (except for violations of statutes). The PMD has ten permanent personnel dedicated for PMR administration; major commands (MACOMs) and their subordinate commands also have permanent personnel that conduct PMRs within the guidelines of the USACSA. [Ref. 46]

The Army PMR program is administered by the USACSA manual entitled "Standing Operating Procedures for Procurement Management Reviews", which was last published in February 1991. Within this manual, the PMR is divided into the following six areas of concentration [Ref. 45:pp. 23-44]:

- (1) management;
- (2) policy and procedures;
- (3) contracting operations;
- (4) simplified and small purchase procedures;
- (5) special areas of review; and
- (6) legal office procedures.

Unlike the DLA manual, the Army manual does not give guiding questions in the areas of review in order to facilitate PMR team conduct. Because of its broad, qualitative guidance, the Army manual is used for reviews of both major systems contracting and field contracting [Ref. 46].

Within the management area, the PMR team examines the mission and organization, personnel resources, and general operations. The activity mission statement and the type and dollar value of procurement actions are reviewed in order to determine if the mission is being performed as stated, if other missions are being performed, or if the mission has grown into a new mission. The formal functions of the contracting activity are evaluated to determine if all of the functions are being performed, if they are being performed by the appropriate organizational element, how well they are

being performed, and if additional functions are being performed. The internal organization is reviewed to determine if sections are performing overlapping or conflicting functions. The location of the contracting organization within the command is examined to determine if it receives the proper visibility and level of authority in order to accomplish its mission. Also, the physical location, size, and appearance of the contracting office is reviewed to ensure that a professional climate is maintained for both military and contractor relations. [Ref. 45:pp. 23-24]

Also, within the management area of concentration, the PMR team reviews the adequacy of personnel resources. The staffing level is reviewed in terms of the grade structure to determine if the existing level meets the workload requirements. Personnel turnover and the reasons for the turnover are examined as well. The training and career management of contracting personnel are reviewed to ensure that mandatory training requirements are being met and that there is consideration for progression to positions of greater responsibility for military and civilian personnel. Contracting Officer appointments are examined to ensure that they were properly selected and warranted in accordance with applicable regulations. Additionally, the PMR team makes an assessment of the morale of the contracting organization and its effect on performance. [Ref. 45:pp. 24-26]

The final section of the management area to be reviewed is operations. The PMR team determines to what extent the Standard Army Automated Contracting System (SAACONS) has been implemented and used by both operators and managers. SAACONS users should be adequately trained. The PMR team determines if current and correct data are entered into the system by examining contracts, reports, and other outputs of the system. The current security plan for all information systems is also reviewed. Additionally, the PMR team reviews how incoming procurement requests (PRs) are controlled; how they are distributed; how BMLs are maintained and used; how bids and proposals are received and controlled; how contract files are maintained; and if forms and form letters are used effectively. The PMR team reviews the contracting organization's internal control system to determine if there is adequate management involvement in internal controls to ensure that any weaknesses uncovered are corrected. Finally, within the management area, all external reviews of the contracting organization are examined to note whether corrective action was taken or planned. [Ref. 45:pp. 26-28]

The next area of concentration that the PMR team reviews is the policies and procedures area. Within this area, regulations, management tools, advance acquisition planning, small business, and competition are the subjects given coverage [Ref. 45:pp. 29-32]. The state of regulatory references are reviewed to ensure that they are current,

complete, and properly supplemented. Additionally, a focal point for regulatory interpretation and implementation is determined. The PMR team looks for the use of two key management tools: management reports and a review and analysis process. Management reports come in the form of management information systems reports or statistical reports concerning accomplishments, completed actions, training, personnel actions, or problematic areas. Review and analysis is a formal process in which management measures progress against goals, assesses strengths and weaknesses, and evaluates the contracting activity performance. [Ref. 45:p. 29]

The PMR team determines if acquisition planning is properly implemented and that it aids in preventing problems in the acquisition cycle. Small business activity is reviewed to determine if the contracting organization has been complying with legal and regulatory small business requirements. Small and disadvantaged business goals for the last several years are examined and compared with actual contract actions with small and disadvantaged businesses to determine the level of compliance. The establishment of a small and disadvantaged business utilization (SADBU) office is determined as well as the proper appointment of SADBU specialists. The SADBU office is reviewed to determine if it is maximizing opportunities for small and disadvantaged

businesses to learn of procurement opportunities from the contracting organization. [Ref. 45:pp. 30-31]

The next major area of concentration for PMR team review is competition. The PMR team determines if the contracting organization has a competition advocate and if the policies, procedures, and guidance applicable to or prepared by the competition advocate are adequate. Procedures to identify and eliminate barriers to competition are reviewed. Current competition trends, unsolicited proposal approvals, the extent of market research, the adequacy of sole source J&As, and the frequency of rejection of sole source J&As are examined to indicate the extent of management involvement in promoting competition. Other important areas of competition that are considered by the PMR team are whether source selection criteria and statements of work are unduly restrictive and if the competition advocate provides training in techniques of maximizing competition. [Ref. 45:pp. 31-32]

The next major area of concentration is contracting operations. Within this area, the following subjects are examined: documentation review and sampling; preaward actions; requirements personnel; commercial activities; non-appropriated fund (NAF) contracting; construction and architect and engineer (A&E) contracts; Federal information processing (FIP) resources contracting; postaward actions; pricing; and secure environment contracting [Ref. 45:pp. 33-40]. The PMR team conducts a review of documentation of

records and files in order to gain a true picture of the contracting operation. This review is accomplished through one of the following sampling procedures [Ref. 45:p. 33]:

- (1) stratification of actions to be sampled by dollars or some other method;
- (2) determination of the number of actions to be reviewed in each stratum;
- (3) selection of the period or periods for review; or
- (4) selection of the items for review.

The next subject within the contracting operations area is preaward actions. The PMR team determines whether the appropriate conditions for selecting either sealed bidding or competitive negotiation are followed. In instances where competitive negotiation is used, the level of full and open competition is determined as well as the completeness of J&As for other than full and open competition. The PMR team looks for a preponderance of the "only one source of supply" rationale as an indicator of competition problems. Preaward documentation, such as the business clearance memorandum, cost analysis reports, and audit reports, is reviewed for adequacy. Other preaward actions that are examined by the PMR team for adequacy are the Commerce Business Daily (CBD) synopses, lease versus purchase analyses, preparation of non-personal services determinations, and any required equal opportunity and small business reviews. [Ref. 45:pp. 34-35]

The next subject within the contracting operations area regards requiring activity personnel. Two key preaward

responsibilities of a requiring activity are the preparation of the independent Government estimate (IGE) and the determination of funds availability [Ref. 45:p. 35]. The PMR team determines if the IGE is properly prepared when required in order that it may be used as point of comparison with a contractor's proposal during negotiations. Also, the PMR team determines if funds availability determinations are made in a timely manner and that the proper type of funds are provided by the requiring activity. Other considerations in the contracting operations area are that the requiring activities are educated about their duties and responsibilities in the procurement process, possibly through a customer education manual, and that there are established procedures for qualifications, appointments, training, and oversight of contracting officer's representatives (CORs). [Ref. 45:pp. 35-36]

Within the contracting operations area of concentration, the next subject given coverage is commercial activities. The PMR team determines the level of commercial activities contracts that are awarded or being planned and ensures that they are not improperly administered such that they would become, in essence, a personal services contract [Ref. 45:p. 36].

The next subject in the contracting operations area is NAF contracting. The PMR team reviews the policies and procedures established locally to ensure that all appropriated fund

contracting officers doing NAF procurements are appropriately trained [Ref. 45:p. 37]. Construction and A&E contracting are given coverage to ensure that they meet the requirements of FAR part 36 and that these types of contracts are being administered properly [Ref. 45:pp. 37-38]. Another subject in the contracting operations area is FIP resource acquisitions. The General Services Administration (GSA) has the legal authority for the procurement of FIP resources unless it has delegated procurement authority to a defense agency for a particular procurement. The PMR team determines if FIP acquisitions are properly conducted in accordance with GSA policies [Ref. 45:p. 38].

The next subject in the contracting operations area of concentration is postaward actions. The PMR team ensures that the required postaward documentation, such as the post negotiation business clearance memorandum and the CBD award synopsis, is present in the file and adequate for its use. The responsibility for contract administration is determined to ensure that it is being properly executed and, specifically, that the following areas of contract administration are properly administered: service contract administration, administration of the GFP clause, compliance with insurance requirements, prompt payments, progress payment monitoring, deliveries monitoring, and COR training. Contract modifications are examined to find if they are excessive. Finally, in postaward actions, contract closeouts are reviewed

to ensure that they are being accomplished in a timely manner and that they are properly done to protect the interests of the Government. [Ref. 45:p. 39]

The next subject in the contracting operations area is pricing. The PMR team determines if price analysis is being performed by full-time price analysts or as part of the functions of contract specialists and that this function is adequately staffed. Pricing information is examined to ensure that it is timely, thorough, and useful. Additionally, the PMR team determines if adequate support is available and utilized through advisory reports from the Defense Contract Audit Agency (DCAA), the Defense Contract Management Command (DCMC), and technical activities that provide IGEs. [Ref. 45:pp. 39-40]

The last subject in the contracting operations area that receives coverage is secure environment contracting (SEC). SEC is contracting using special security procedures because of the sensitivity of the supported organization or because of the unusual security classification. The PMR team will not have clearance to perform a review; therefore, a review of this area will normally be done by higher headquarters. [Ref. 45:p. 40]

Following contracting operations, the next major area of concentration for the PMR team is simplified and small purchase procedures. Regarding purchase orders, the PMR team reviews threshold levels to determine if purchases are within

the regulatory dollar limits and whether requirements are being split to avoid using contracting procedures. Purchases over \$2,500 are examined to ensure that price reasonableness and lack of competition are well documented. All small purchases are reviewed to ensure that small business set-asides are being accomplished. Also, the provisions of the prompt payment act are reviewed to ensure that there are no needless interest payments. [Ref. 45:p. 41]

Regarding blanket purchase agreements (BPAs), the PMR team determines that they have been established with more than one supplier, that purchases are rotated among all these suppliers equitably, that they are reviewed annually, and that personnel placing calls against BPAs have been properly authorized and instructed. Imprest funds are verified that personnel expending these funds are properly authorized, that a single transaction does not exceed \$500, that there is an authorized purchase requisition, and that cash counts are made at least quarterly. Finally, within simplified and small purchases, credit card usage is reviewed to determine if authorized ordering officers are trained and that proper procedures are followed. [Ref. 45:pp. 41-42]

The area of concentration for the PMR team is special areas of review. The PMR team normally limits a review to the above topics unless special areas of interest are raised by the Army leadership, the OSD, the various inspector generals, or external agencies. Examples of special areas are

offloading of contracts, proper review by contracting officers of a prime contractor's request to subcontract with a debarred firm, and timely implementation of new policies. [Ref. 45:pp. 43-44]

The last area of concentration in the Army PMR is legal office procedures. The PMR team normally has a lawyer that provides legal support to PMR teams. Legal office procedures are reviewed to ensure that legal support is accessible, responsive, timely, and proactive both from the contracting organization's and PMR team's points of view. Finally, the lawyer appointed to a PMR team participates in staff and customer interviews, reviews contract files, and answers legal questions when called upon. [Ref. 45:pp. 43-44]

D. PROCUREMENT MANAGEMENT REVIEW GUIDANCE WITHIN THE DEPARTMENT OF THE NAVY

The responsibility for PMRs in the Department of the Navy (DON) resides with the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN(RDA)). This responsibility is delegated to the Deputy for Acquisition Policy, Integrity, and Accountability (APIA) within the office of ASN(RDA). ASN(RDA)-APIA conducts PMRs on the 12 systems commands (SYSCOMs) and major activities within DON. The Naval Supply Systems Command (NAVSUP) is delegated the authority to conduct PMRs on the Navy Field Contracting System (NFCS) [Ref. 47].

At ASN(RDA)-APIA, there are three permanent staff personnel that conduct PMRs with approximately 12 ad hoc personnel augmented at any given time. Instead of using an inspection checklist, the PMR team makes observations of compliance with major issues. According to the senior procurement analyst at ASN(RDA)-APIA, these issues are represented by approximately 85 policy memorandums from OSD, SECNAV, and ASN(RDA) that the PMR team refers to as "Secretary Cann's initiatives" [Ref. 47]. Examples of the subjects of these policy memorandums include source selection procedures for professional and technical services contracts, event-driven acquisition strategy and event-based contracting, and review of RFPs and contracts prior to solicitation and award [Ref. 48]. Once compliance with the above policy memorandums are determined, the PMR team makes major and non-major recommendations in which a plan of action and milestones (POAM) is required for major findings and a follow-up required for non-major findings. There is no TQM application for the PMR program [Ref. 47].

NAVSUP has permanent staff personnel with the assistance of augmentees from specialized areas of procurement that conduct PMRs on all Navy field contracting offices with unlimited contracting authority. PMR detachments from subordinate commands conduct PMRs on those activities with limited and small purchase authority [Ref. 49]. Guidance for the conduct of PMRs on field contracting activities is given

in the NAVSUP manual "Contracting Management Review (CMR) - Team Augmentees Handbook". Within this handbook, the basic concept of the CMR program is to continuously improve the efficiency and effectiveness of the acquisition process. Specifically, the objectives of the CMR are to [Ref. 50:p. 1]:

- (1) determine the effectiveness with which the reviewed activity performs its mission and carries out assigned tasks and functions;
- (2) evaluate performance against sound management priorities and established Navy standards;
- (3) recommend ways and means for the activity to improve effectiveness and responsiveness;
- (4) detect problem patterns and opportunities for general improvements, indicating the need for Navy or DOD changes; and
- (5) evaluate existing procedures and systems in order to ascertain the potential for fraudulent, wasteful, or abusive practices and to recommend adjustments when deemed necessary.

When conducting CMRs, the NAVSUP policy is to document and report deviations of major significance and to aid and assist by providing information and guidance rather than criticism or comparison [Ref. 50:p. 2].

Within the NAVSUP CMR structure, the review is divided into the following nine areas of concentration [Ref. 50:p. 2]:

- (1) mission and organization;
- (2) policies and procedures;
- (3) planning;
- (4) methods of contracting and source selection;
- (5) pricing;

- (6) small purchases;
- (7) postaward functions;
- (8) transportation; and
- (9) management of the contracting function.

Checklists are used to consolidate data (not observations) from documentation when these areas of concentration are reviewed. This consolidation of data facilitates the review process. [Ref. 50:pp. 14-23]

The NAVSUP manual provides minimal guidance as to what subjects are to be given coverage within these areas of concentration because the CMR team members assigned are tasked with reviewing a single area of concentration in which they have expertise and experience [Ref. 50:p. 2]. As a result, the direction given by NAVSUP is limited to lists of subjects within the areas of concentration; no questions are posed for probing.

Within the mission and organization area of concentration, the CMR team reviews the customers and the volume, dollar value, and types of contracts that compose the contracting activity's mission. Organizational charts and manuals are reviewed as well. [Ref. 50:p. 8]

Within the policies and procedures area of concentration, the CMR team examines the state of governing regulations in order to determine their adequacy in local implementation. Contract clauses used by the contracting activity are reviewed to ensure that standard and locally developed clauses are

properly included in contracts. Contracting officer appointments are examined to ensure that they possess the requisite education and training. Contract Review Boards (CRBs) and legal reviews are examined to ensure that their results are implemented to the greatest extent practicable. Reports, forms and form letters, and contract file organization and documentation of the contracting activity are reviewed to ensure their adequacy. Additionally, the CMR team reviews the preparation, execution, and distribution of contracts in order to determine that they are in compliance with basic procurement processes. Any other subject in the policies and procedures area can be examined at the discretion of the CMR team. [Ref. 50:p. 8]

The next area of concentration is planning. The CMR team follows a simple list of subjects without being given guidance as to the specific type of information required. The subjects that are reviewed include acquisition plans and contract plans along with the responsibility for them; financial management/funds availability; procurement and production lead time constraints; centralized procurement assignments; technical data acquisition; and nonpersonal services justifications [Ref. 50:p. 9]. Additionally, the adequacy of contract requests is examined with regard to specifications and work statements; quantity requirements and options; delivery schedule and lead times; and quality products lists, first article approvals, inspections, and warranties. Other

subjects in the planning area can be reviewed at the discretion of the CMR team [Ref. 50:p. 9].

The next area of concentration is methods of contracting and source selection. The CMR team examines the selection of acquisition method to determine if the proper authority is obtained and that the use of sealed bidding or negotiation is justified. The effectiveness of the sealed bid method is assessed to determine if the strict processes required are followed. The effectiveness of negotiated acquisitions are examined in terms of the extent of competition; the effectiveness of price competition; competitive range decisions; discussions with offerors and best and final offers (BAFOs); the adequacy of sole source justifications; and the steps being taken to foster competition. Small business, labor surplus, and the 8(a) program are given coverage in terms of their goals, achievement, and extent of subcontracting. [Ref. 50:p. 10]

In the solicitation process, the CMR team examines the means of source identification through mailing lists, directories, and synopsis procedures. The bid room operation is reviewed in terms of receipt and safeguarding of bids and proposals; bid opening and abstracting; and the posting of IFB and RFP abstracts. Determining contractor responsibility, giving postaward advice to bidders, and synopsisizing of awards are the other subjects in which the CMR team evaluates a contracting activity. [Ref. 50:p. 10]

Within the pricing area of concentration, the CMR team evaluates the responsibilities and capabilities of the personnel involved in pricing. The techniques used for price analysis and cost analysis are examined for their adequacy. For cost analysis, the CMR team reviews such topics as the use of in-house estimates; the availability and use of technical and audit assistance; the reliance on certified cost and pricing data; the determination of weighted guidelines; negotiation techniques and their effectiveness; and the adequacy of business clearances. Finally, in the pricing area, the CMR team determines if the process used in the selection of contract type is satisfactory. Other subjects in the pricing area can be reviewed if desired by the CMR team. [Ref. 50:p. 11]

The next area of concentration is postaward functions. The CMR team determines where the responsibility for this function resides and ascertains the appropriateness of this location, whether in-house or external. The process of monitoring contractor progress is reviewed in order to determine adherence to delivery schedules, consideration for delays, and default determinations. Other subjects reviewed in the postaward functions area are contract modifications, GFP, quality assurance and inspection, value engineering change proposals (VECPs), contract closure, claims, and administration of service contracts. Any other subject in the postaward area to be reviewed is at the discretion of the CMR

team. These subjects guide the CMR team, but do not provide questions in which to probe. [Ref. 50:p. 12]

The next area of concentration is small purchases. The guidance given by the NAVSUP manual is limited to the review of purchase orders, delivery orders, BPAs and the calls placed against them, and imprest funds. No further guidance is given in the small purchase area except to make note of any deficiencies. [Ref. 50:pp. 4, 12]

The transportation area of concentration is reviewed by a traffic management expert that augments the CMR team. This expert uses a transportation checklist of traffic management unique topics that relate to contracting support. Therefore, transportation receives minimal coverage in the NAVSUP manual. [Ref. 50:pp. 13, 20-22]

The last area of concentration for the CMR team is management of the contracting function. The topics that are reviewed are the adequacy of staffing; the qualifications of personnel in terms of education, experience, and training; morale in terms of turnover, benefits, and awards; work measurement and performance analysis in terms of procurement administrative lead time (PALT) and productivity; career development; mechanization and management improvements; facilities; and command support. These topics guide the CMR team, but do not provide questions in which to probe. [Ref. 50:p. 13]

E. PROCUREMENT MANAGEMENT REVIEW GUIDANCE WITHIN THE DEPARTMENT OF THE AIR FORCE

The PMR program within the Air Force was cancelled in 1974 because the Service contended that the intent of DOD Directive 5126.34 was fulfilled through their audits, inspections, and special reviews [Ref. 3]. Presently, procurement management oversight is accomplished through the Metrics Program of General Ronald W. Yates, U. S. Air Force, current commander of the Air Force Materiel Command (AFMC). This concept embodies best value contracting throughout the formal source selection process by identifying and increasing business with best value contractors. Procurement actions and performance are measured through the standard business clearance and contract approval processes. The resulting oversight is not an inspection, but instead a continuous advisory link between top management and procuring activities [Ref. 51].

The Process Effectiveness Review (PER) is the product that is used by the Air Force to review contracts and contracting processes [Ref. 52]. The PER is an oversight tool that employs TQM principles to examine the entire spectrum of a process or groups of related processes, regardless of organizational or functional boundaries. The focus is on the customer - supplier relationship [Ref. 53:p. 3]. The PER is not compliance oriented; it provides management with recommendations to improve their contracting processes. As a result, the only two observations published in the final

report are "excellence recognized" and "opportunity for improvement" [Ref. 52].

The PER team is composed of permanent members of the Office of the Inspector General (IG) at AFMC. Ad hoc personnel augment the PER team according to their special process expertise. These augmentees are solicited from both headquarters and field levels in order to gain a comprehensive mix of those who work "on the process" and those who work "in the process". [Ref. 53:pp. 3, 11]

The PER uses process analyses, document reviews, and interviews in order to identify opportunities for improvement as well as outstanding practices that are exportable to owners of like processes. Prior to an analysis or review, the PER team conducts subject matter research in order to become as knowledgeable and current on contracting topics as possible. Sources of data include regulations, audit reports, IG reports, policy letters, research reports, and Government periodicals. After subject matter research, the PER team performs the process analysis. [Ref. 53:p. 12]

The technique of flow charting is used to detail the various processes. A theoretical process is developed from applicable regulations and policies and forms the baseline for further analysis. Through the conduct of the PER, the PER team develops a flow of the actual process as it is performed by the field contracting activities. The PER team then compares the theoretical and actual processes to obtain an

optimum process. This development of an optimum process is an iterative process that eliminates non-value added steps. Therefore, the review process of contracting activities is to [Ref. 53:p. 12]:

- (1) learn the theoretical process;
- (2) observe the actual process; and
- (3) recommend the optimum process.

This flow charting is accomplished on all processes within the contracting function.

F. SUMMARY

This chapter presented data on the current state of PMR guidance within the Marine Corps and on the PMR guidance given to the PMR personnel from DLA, the Department of the Army, the Department of the Navy, and the Department of the Air Force. The presentation of these data was given in order from the most comprehensive guidance to the least comprehensive guidance, with the exception of the Air Force because of its innovative, non-traditional approach to procurement oversight.

The next chapter analyzes the broad guidance given to PMR teams from the above Departments and DLA and develops a PMR guide from the strengths of all the above guidance. Additionally, the comments of headquarters and field contracting personnel to the proposed PMR guide will be discussed.

VI. DATA ANALYSIS

A. GENERAL

To begin this analysis, the need for a Marine Corps PMR guide must be reviewed. Currently, the Marine Corps is without a policy, directive, or guide for the conduct of the PMR. This absence of guidance has led to the inconsistent administration of PMRs on the field contracting offices and minimal focus on the PMR goal of improving procurement efficiency and effectiveness. Having no permanent personnel dedicated to PMR administration, the Field Contracting Support Branch of HQMC must rely completely on the wide-ranging expertise and experience of ad hoc personnel that are called upon to serve on a PMR team. As a result, a guide for PMR administration is required in order to standardize the program, increase its consistency, and focus review efforts on the goal of contracting process improvement and not deficiency reporting.

B. ASSESSMENT OF EXTERNAL PROCUREMENT MANAGEMENT REVIEW GUIDANCE

The PMR guidance manuals of DLA, the Army, the Navy, and the Air Force direct attention to nearly the same areas of concentration with minor differences. These areas give effective coverage of all the major procurement processes.

However, the degree of detailed guidance that is given to the PMR team varies greatly from one Department/Agency to another.

As the executive agent of the Defense PMR program, DLA has developed an extremely comprehensive PMR guidance manual. Its seven areas of concentration provide detailed coverage of the procurement processes. The DLA manual gives PMR reviewers a range of specific questions within each area of concentration that are not merely affirmative or negative in their responses. These questions are qualitative in nature, thereby provoking the examination of procurement processes and not just the product of the processes. The intent of these qualitative questions is not to report compliance with laws or regulations, but instead to provide management assistance. As a means of standardization, the questions do not complement the traditional inspection mentality of compliance checklists. In fact, they may draw criticism from those of a compliance checklist mentality that the questions are not detailed enough for a PMR. Of the four PMR guidance manuals examined, the DLA manual appears to be the most comprehensive, guiding, and useful manual to PMR personnel for the preparation and conduct of the PMR. However, DLA gave minimal coverage to the following contracting subjects: small purchases, small business, small disadvantaged business, SADBUs office operations, automation of contracting actions, and customer education/procurement awareness. Although in need of

modification, the DLA manual serves as the base for the development of a Marine Corps PMR guidance manual.

The Army PMR guidance manual provides nearly the same level of coverage as the DLA manual. As with the DLA manual, the Army manual is not based on compliance reporting; instead, it focuses on assisting the contracting organization in improving their operations. Specifically, the Army manual is not as detailed as the DLA manual in that it does not provide actual questions for PMR reviewers to pursue and there are no checklists for data collection. However, it does give direction in narrative form to specific subjects that should be examined in order to provide adequate management assistance. Several exportable strengths of the Army manual are the coverage of small purchases, small business, small disadvantaged business, and SADBUs office operations. Additionally, the broad guidance in the review of SAACONS has a direct corollary in the review of BCAS for the Marine Corps. Finally, the Army manual gives attention to customer education and overall procurement awareness.

The Navy PMR guidance manual provides minimal guidance to PMR personnel. Its direction in the areas of concentration is limited to a brief outline of the subject matter within each area. Specifically, the number of subjects identified for review range from none (indicating complete discretion of the reviewer) to nine. Thus, the Navy relies heavily on the expertise and experience of its PMR personnel. This reliance

may be adequate since the Navy has permanent staff PMR personnel that are totally dedicated to PMR administration (i.e., the PMR is not a collateral duty). The Navy manual's major guidance is in the area of review conduct. The manual provides five checklists that are used to consolidate data from the contract files in order to facilitate the review process. There are a few questions on the checklists that are compliance oriented and are strictly answered "yes or no" as done in traditional inspections. Of the four PMR guidance manuals, the Navy manual is the only one that does not specifically eliminate compliance reporting as an objective of the program.

The Air Force PER guidance manual is the most unique of the four manuals. The entire PER program is a complete implementation of the TQM concept. It abandons the traditional inspection of reporting compliance with directives and policy. As a result, the PER does not give ratings to reviewed activities; it makes observations of "excellence recognized" or "opportunity for improvement". The complete focus on procurement processes in order to prevent deficiencies instead of only identifying them is in consonance with the intent of the Defense PMR program. Because of its TQM approach, the Air Force manual does not specify areas of concentration for PER reviewers. Its strength is that it provides a process in which to examine other processes through flow charting, document review, interviews, and surveys. The

emphasis on flow charting is unique. The development of an optimum process from the iterative comparison and combination of a theoretical and actual process is an innovative technique for detecting defective processes, recommending corrective actions to contracting management, and recognizing the unique contracting environment of a particular contracting activity. Therefore, the exportable strengths of the Air Force manual are its implementation of TQM; the no rating approach; and the use of flow charting by developing theoretical, actual, and optimum processes.

C. DEVELOPMENT OF A MARINE CORPS PROCUREMENT MANAGEMENT REVIEW GUIDE

There are three observations of the researcher that serve as a foundation for the proposed guide. The first observation is that there needs to be movement away from the traditional inspection mentality toward a TQM application. Although a complete implementation of a TQM approach to the PMR represents a major cultural change, the researcher believes that an incremental approach toward TQM implementation within the PMR can be accomplished through the applicable elements of TQM as discussed in chapter IV. The purpose of the PMR should be to improve the procurement processes through a defect prevention focus and not only a defect detection focus. The PMR team, as an outside consultant, can provide quality training and valuable insight into the potential of

contracting systems in order to foster continuous improvement and to streamline the acquisition process. An atmosphere of trust must be created between the PMR team and field contracting personnel in order to breed innovative thought into the improvement of procurement processes. Methods for improvement (specifically, flow charting) should be learned and instituted while learning and improving the capabilities of procurement processes. The PMR is a prime vehicle to advance the quality of operations while measuring performance.

The second observation of the researcher is that the PMR should not be a report of compliance. Compliance with laws is an absolute; it is a rigid requirement until the applicable laws are repealed or amended. However, compliance with regulations and higher level policy evokes the same rigidity as legal compliance. It is true that regulations and higher level policy normally are in concert with the laws that they attempt to enforce, but occasionally, they are interpreted to be very restrictive when, in fact, flexibility may have been intended and allowed within the limits of the law. This rigidity, coupled with the propensity for end item inspection, appears to be a constant problem for inspectors and inspectees when it comes to measuring or improving performance or quality. Therefore, if a minimum level of compliance reporting is deemed necessary, the Marine Corps PMR report should include only objectively determined legal deficiencies and not subjectively determined "errors" in judgmental or

management discretionary areas. PMR team recommendations in subjective, judgmental, and management discretionary areas should be documented and submitted to the reviewed contracting office only and not made a part of the official PMR report that is submitted to the HQMC level or higher. If there is a matter that requires command attention, it should be submitted up the chain of command by the field contracting office. In the current Marine Corps PMR environment, both objective and subjective recommendations are submitted to HQMC, reviewed, endorsed, and passed down the chain of command back to the command of the reviewed contracting office. This process effectively serves to mandate the implementation of the recommendations in subjective, judgmental, and management discretionary areas on the contracting office. Subjective decisions made in the unique contracting environment of a particular command should not be mandated from HQMC; it effectively results in the "second guessing" of the contracting officer. The intent of the PMR is to improve procurement efficiency and effectiveness and not to report or place blame or responsibility. Without the threat of reporting deficiencies, the PMR team can create an atmosphere of trust in order to make the review process more productive.

The third observation of the researcher is that there must be a list of guiding questions to direct the conduct of the PMR. Because the Marine Corps has no permanent PMR personnel, the use of ad hoc personnel requires some form of

standardization to ensure the consistency of the PMR. The list of guiding questions is not intended to be a comprehensive checklist, but a base of qualitative questions in which to generate ideas for improvement based on the goal of improving efficiency and effectiveness instead of compliance reporting. Additionally, the questions will serve as a basis for flow charting procurement processes in order to learn and improve them.

D. PROPOSED MARINE CORPS PROCUREMENT MANAGEMENT REVIEW GUIDE

The proposed guide was developed by utilizing the DLA manual as a base because it was the most comprehensive guide of the four manuals reviewed. A zero-based development was deemed unnecessary because the qualitative questions of the DLA manual provided excellent guidance through the review of procurement areas instead of detailed checklist items requiring completion. A small purchases area of concentration was created because it represents a large volume of all Marine Corps procurements. The contracting subjects of small business, small disadvantaged business, SADBU office operations, automation of contracting actions (e.g., the Base Contracting Automated System), and customer education were integrated into the Marine Corps manual as well (patterned from the Army manual).

The application of flow charting was added to the conduct of the Marine Corps PMR as it is done in the conduct of the

Air Force PER. Generally, a theoretical process should be flow charted for the various procurement functions using the questions from the areas of concentration as a guide. This theoretical process should be developed from applicable laws, regulations, and policies. During the site visit, an actual process should be flow charted for the same procurement functions as those for the theoretical flow chart. A comparison of the theoretical and actual processes should be done in order to develop an optimum process. This comparison will help identify process deficiencies and will take into account the uniqueness of the procurement environment. Finally, a rating system is not suggested by the proposed guide because it serves to incentivize the organization being reviewed to focus on receiving a good rating and not necessarily on improving procurement efficiency and effectiveness.

After consolidating the questions to be utilized in the proposed PMR guide, the researcher conducted an extensive review of the Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), the Navy Acquisition Procedures Supplement (NAPS), the Marine Corps Purchasing Procedures Manual (MCO P4200.15G), and other documentation in order to streamline the review process in the procurement areas of concentration. As a result, some guidance questions were revised, supplemented, or deleted from

the guide. The final product of this analysis is the proposed Marine Corps PMR guide presented in Appendix A.

Before Appendix A was finalized, a draft PMR guide was sent to the ten Marine Corps field contracting offices and the Field Contracting Support Branch at HQMC. The purpose was to solicit comments from headquarters and field personnel about the proposed guide. These comments were not included in the data presentation because the researcher intended for these comments to be a smoothing process for the data presented in order for the proposed guide to be understandable and applicable by the MCFCS. Therefore, the comments are discussed in this chapter because they represent the analysis of headquarters and field contracting personnel. Of the 12 draft PMR guides sent, six were returned with comments. Generally, the respondents expressed strong approval of the proposed guide. Three of the six respondents believed that areas of the proposed guide were beyond the normal practices of the field contracting office, but that all of the normal practices of the field contracting office were covered. The researcher attributes these comments to the fact that acquisitions within the MCFCS generally center on simple and basic procurement practices (e.g., the standard use of firm fixed-price contracts and the sealed bid method) for commercial off-the-shelf supplies and standard services. Having questions that pursue possible practices beyond those

currently in use provides options for contracting management to improve their contracting processes.

Specifically, the six respondents returned comments on 74 of the 471 questions within the proposed guide. Of these 74 questions, only nine questions had substantive comments where more than one response was received. The nine questions concerned reporting of additional questions in the formal PMR report in order to gain command attention, specifying in greater detail the requirements of a question, and deleting a question because the responsibility for action resides outside the contracting office. These responses were of minor consequence, therefore, these questions are not further analyzed. The remaining 65 questions that received comments concerned only clarifying information.

Overall, the comments from headquarters and field personnel helped tailor the guide to the needs of the Marine Corps and the applicable questions were modified accordingly. As stated previously, the final draft of the proposed Marine Corps PMR guide is contained Appendix A.

E. SUMMARY

This chapter established the need for a Marine Corps PMR guide because the lack of direction has caused inconsistency in the administration of the PMR. Through standardization, PMR personnel will be able to increase PMR consistency and focus review efforts on the goal of procurement process

improvement instead of deficiency reporting. The PMR guides of DLA, the Army, the Navy, and the Air Force were assessed for their exportable strengths to a Marine Corps PMR guide. The DLA manual proved to be the most comprehensive PMR guide while the Air Force manual proved to be the most unique because of its complete implementation of TQM in the review process. The Army manual gave more coverage to such contracting subjects as small purchase, small business, small disadvantaged business, automation, and customer education. A combination of the above three manuals proved beneficial for the proposed Marine Corps guide. Additionally, the actual development of the proposed guide was discussed along with input received from headquarters and field contracting personnel. The final product of this analysis is the proposed Marine Corps PMR guidance manual presented in Appendix A.

The next chapter contains the researcher's conclusions and recommendations regarding this thesis. Answers to the primary and subsidiary research questions will be given. Finally, areas for further research will be identified.

VII. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

The Marine Corps is without a policy, directive, or guide for the conduct of the PMR. This absence of guidance has led to the inconsistent administration of PMRs on the field contracting offices and minimal focus on the PMR goal of improving procurement efficiency and effectiveness. Having no permanent personnel dedicated to PMR administration, the Field Contracting Support Branch of HQMC must rely completely on the wide ranging expertise and experience of ad hoc personnel that are called upon to serve on a PMR team.

The objectives of this thesis were to produce a user/management guide that would minimize preparation time by HQMC evaluators through PMR standardization, streamline the preparation effort and performance by the field contracting offices, and create a cooperative, nonadversarial environment between a PMR team and a field contracting office in order to improve procurement processes. To accomplish these objectives, the methods in which DLA and the Military Services conduct PMRs on their respective contracting activities were analyzed and a written process and guide for the PMR as it should be performed within the Marine Corps was developed from this analysis. The study of DLA and other Services'

procedures focused on their management philosophy regarding PMR conduct, their organization for conducting PMRs, and their measurement of legal and regulatory compliance. The key consideration of this study was to develop a process and guide that measured procurement performance (not a detailed audit) while ensuring that headquarters control of the contracting function was not tightened. The review philosophy centered on correcting the processes that created errors instead of merely reporting errors and recommending simple solutions that correct errors regardless of the processes.

B. CONCLUSIONS

Based on the results of this thesis, the researcher has drawn four major conclusions. The first conclusion is that there is a strong need for a Marine Corps PMR guidance manual for the conduct of the PMR in order to standardize the process. The Marine Corps does not have permanently dedicated personnel for PMR administration (i.e., PMR duties are collateral duties). As a result, the conduct of the PMR becomes inconsistent, which is further compounded by the fact that there is no written guidance for the ad hoc personnel assigned to a PMR team. Consequently, the results of the PMR rely solely and completely on the wide range of expertise and experience of the team members. In order for the PMR goal of improving procurement efficiency and effectiveness to be

realized, a Marine Corps PMR guidance manual must be developed.

The second conclusion is that the traditional inspection will not meet the PMR goal of improving procurement efficiency and effectiveness. The traditional inspection with its inherent compilation of checklists has developed into a review that only identifies deficiencies with no regard for the processes that created the deficiencies. Consequently, the recommendations of an inspection team merely propose "quick fixes" to deficiencies, potentially leaving the processes that created the deficiencies in tact. As a result, the PMR goal of improving procurement efficiency and effectiveness will not be realized if the focus of the PMR is deficiency identification instead of deficiency prevention. This is not to say that there is no place for the inspection in the PMR process. The inspection is an integral part of the PMR in order to identify deficiencies so that the procurement processes that created the deficiencies can be located. However, the primary focus of the PMR must be on procurement processes.

The third conclusion is that compliance reporting should not be a major goal of the PMR because it serves to shift the focus of the review away from improving procurement processes. Although visibility of compliance is important, the pursuit of compliance to the level of minutia shifts the focus of the PMR to end item inspections. Compliance with laws is an absolute.

Compliance with regulations and higher level policy evokes the same rigidity as legal compliance. It is true that regulations and higher level policy normally are in concert with the laws that they attempt to enforce, but occasionally, they are interpreted to be very restrictive when, in fact, flexibility may have been intended and allowed within the limits of the law. In order to prevent the shifting of the PMR focus to that of an end item inspection, limits to the level of compliance reporting must be established.

The fourth conclusion is that although there are four PMR guidance manuals from DLA and the other Services, no single manual can meet the PMR needs of the Marine Corps. Although the DLA manual is the most comprehensive, it gives minimal coverage to important areas in Marine Corps procurement. The Army manual gives excellent coverage of these areas although other areas are not as comprehensively covered as in the DLA manual. While the Air Force manual provides a unique application of TQM to the review of procurement activities, its review team members are permanently dedicated to procurement review and, therefore, are not given guidance to the detail of the DLA manual.

C. RECOMMENDATIONS

As a result of the research and conclusions, the researcher presents three major recommendations for consideration. The first recommendation is that a combination

of the PMR guidance manuals from DLA, the Army, and the Air Force will provide a PMR guidance manual that is tailored to the unique procurement needs of the Marine Corps. As the executive agent for the Defense PMR program, DLA is responsible for prescribing standards for the conduct of PMRs. Their PMR guidance manual provides comprehensive standards which allow for supplementation by the Services in order to meet their particular procurement needs. The Army manual provides excellent coverage of procurement areas that are minimally covered in the DLA manual while the Air Force manual provides a unique implementation of TQM to the improvement of procurement processes. The proposed Marine Corps PMR guidance manual in Appendix A is a compilation of the strengths of the PMR manuals of DLA, the Army, and the Air Force.

The second recommendation is that a TQM approach to the conduct of the PMR will improve Marine Corps procurement efficiency and effectiveness. This approach is implemented through a focus on procurement processes and not end item inspections as well as limiting the pursuit of compliance reporting. With the perceived threat of end item inspections and complete compliance reporting removed, the PMR team can create a cooperative, nonadversarial environment in which the improvement of procurement efficiency and effectiveness is the objective of both the PMR team and the field contracting personnel. The proposed Marine Corps PMR guidance manual in Appendix A was developed from a TQM perspective.

The third recommendation is that there should be a collection of guiding questions to direct the conduct of the PMR. The Marine Corps does not have permanently dedicated PMR personnel; ad hoc personnel from HQMC and the MCFCS are called to serve on PMR teams. Therefore, the need for consistency in PMR administration and for maximizing the potential for improvement of procurement processes demands that the ad hoc personnel tasked with reviewing a contracting activity be given the maximum guidance possible that allows for flexibility in application. The collection of guiding questions is not intended to be boundaries for PMR reviewers, but bases from which the PMR reviewers can explore procurement processes in order to improve quality.

D. ANSWERS TO THE RESEARCH QUESTIONS

1. Primary Research Question

What should be the standard process of administration of the PMR from the headquarters level of the Marine Corps and how should it be conducted when reviewing the field contracting offices?

The standard process of PMR administration should focus on the goal of improving the procurement efficiency and effectiveness of the reviewed contracting activities. It includes a TQM approach toward examining procurement processes instead of end item inspections; flow charting theoretical, actual, and optimum processes in the major areas of

concentration; minimizing the level of compliance reporting; providing management assistance instead of direction; and eliminating ratings of field contracting offices. The PMR should be conducted by using the collection of qualitative questions in Appendix A as a guide for reviewers to focus their efforts in meeting the stated goal.

2. Subsidiary Research Questions

a. What are the essential elements of a PMR?

The PMR should be broad so that all activities of a contracting organization can be examined, objective by ensuring that reviewers are personnel that are impartial and unaffiliated with the reviewed organization, methodical to ensure that the results are comprehensive, periodical to record past performance and identify trends, and nonadversarial so that determining problems and opportunities are the objectives of the reviewer and the reviewee. Discussion of these elements was presented in chapter II.

b. How are the field contracting offices organized to perform, document, and report their small purchases and contract operations?

Generally, field contracting offices are organized into a contracts section(s), a small purchases section(s), and an administration/operations section, depending on the number of customers and volume of requirements that the office must satisfy. The contracts section is not organized by commodity.

It solicits, negotiates, awards, and administers contracts for supplies and services. The small purchase section is divided between BPA activities, imprest fund activities, and standard small purchase activities while a few others are divided by commodity. The administration/operations section tracks and distributes procurement requests, handles communications (e.g., mail, file, and receptionist services), and, when tasked, contract administration. A more detailed discussion of organization can be found in chapter III.

c. How do the field contracting offices document and report their small purchases and contract operations to higher headquarters?

Field contracting offices document and report their procurement activities through submission of the Individual Procurement Action Report (DD Form 350) for contract actions, the Monthly Procurement Summary (DD Form 1057) for small purchases, and the business clearance memorandum for contract actions exceeding \$300,000. Chapter III provides more discussion of these items.

d. What are the procedures used by the field contracting offices to procure goods and services?

Generally, field contracting offices use BPAs and imprest funds to procure goods and services within the small purchase threshold and the sealed bid method with firm fixed-price type contracts for those goods and services that exceed the small purchase threshold. Although these procedures

predominate, there are no restrictions for using other procedures as long as a business clearance is obtained prior to a procurement. Details of the procedures used by field contracting offices are discussed in chapter III.

e. What key items should PMR teams evaluate during a PMR?

For a PMR conducted on a Marine Corps field contracting office, the PMR team should evaluate subjects within seven areas of concentration: mission and organization; policies and procedures; procurement planning; contracting, solicitation, pricing, and selection procedures; small purchase procedures; postaward functions; and management of the contracting function. The key items within these areas of concentration are covered in detail within Appendix A.

f. How do DLA and the other Services conduct PMRs on their contracting activities?

DLA utilizes lists of guiding questions that are qualitative in nature (not simple "yes or no" type questions) with a management consultant view of the PMR. The Army provides its PMR team with narrative summaries of items to pursue within six major procurement areas of concentration with a field assistance view of the PMR. The Navy provides minimal guidance to their PMR team and relies exclusively on the expertise and experience of the team members who are permanently assigned to PMR administration (i.e., PMR administration is not a collateral duty). The Air Force uses

a complete TQM philosophy in conducting PERs (equivalent to the PMR) by focusing on procurement processes through flow charting theoretical, actual, and optimum processes. A more detailed discussion of the various PMR methods is presented in chapter V.

g. How can Total Quality Management (TQM) be introduced into the PMR process?

TQM can be incrementally implemented into the PMR process by the direct application of five of Deming's 14 obligations of management. By focusing on improving procurement processes and minimizing compliance reporting, the PMR can be a prime vehicle to advance the quality of contracting operations while measuring performance. Chapter IV contains a detailed discussion of TQM applicability.

h. What should HQMC and the field contracting offices learn from the PMR process?

HQMC and the field contracting offices should be able to learn the capabilities of their contracting processes and the methods in which to improve them. Processes that are deficient should be identified in concert with end item deficiencies. All personnel involved in the PMR should understand that the purpose of the PMR is to improve procurement efficiency and effectiveness, which is the stated goal of the Defense PMR program. Ultimately, headquarters and field personnel should learn that a cooperative, nonadversarial relationship will do more to achieve the PMR

goal than a superior/subordinate relationship normally present in an inspection environment.

E. AREAS FOR FURTHER RESEARCH

The following recommendations are presented concerning additional research which could supplement or broaden the field of procurement management; they are:

- (1) an analysis on the degree of implementation of TQM within Marine Corps (or DOD) procurement organizations, and
- (2) an analysis of the current status of the Defense PMR program, specifically, if the program may be experiencing a decline in emphasis because of the cancellation of DOD Directive 5126.34.

APPENDIX A

PROPOSED MARINE CORPS PROCUREMENT MANAGEMENT REVIEW (PMR) GUIDANCE MANUAL

A. Purpose

The purpose of this proposed manual is to standardize the conduct of the PMR in order to focus review efforts on the goal of procurement process improvement instead of deficiency reporting; minimize preparation time by Headquarters Marine Corps (HQMC) evaluators; streamline the preparation effort and performance by the field contracting offices; and create a cooperative, nonadversarial environment between the PMR team and the field contracting office.

B. Approach

This guide incrementally implements Total Quality Management (TQM) by promoting interaction between reviewers and operators in order to find ways to improve procurement processes. Flow charting should be used as a means to understand the procurement processes and to make recommendations that would improve them. An end item inspection must not be the major method of review, but, must be used as a means to locate deficient procurement processes.

The level of compliance reporting should be minimized. Although visibility of compliance is important, the pursuit of compliance to the level of minutia shifts the focus of the PMR away from improving procurement processes to merely identifying end item deficiencies. To this end, the official PMR report should only include objectively determined legal/regulatory deficiencies and not subjectively determined "errors" in judgmental or management discretionary areas. PMR team suggestions in judgmental, subjective, and management discretionary areas should be documented and submitted to the contracting office only and should not be a part of the official PMR report. Hopefully, by removing "judgment call" recommendations from the official PMR report, an environment for process improvement will be created. Additionally, there should be no rating system utilized in the PMR process for it serves to incentivize the organization being rated to focus on receiving a good rating and not necessarily on improving procurement efficiency and effectiveness. For a complete discussion on the rationale for this proposed guide, chapters II through VII of the thesis should be perused.

C. Concerns

Headquarters and field contracting personnel have expressed concerns in certain areas of the proposed guide. One concern is that certain areas of the proposed guide were beyond the normal practices of the field contracting office, but that all of the normal practices were covered. This may be attributed to the fact that acquisitions within the Marine Corps Field Contracting System (MCFCS) generally center on simple and basic procurement practices because the supplies and services procured are generally commercial off-the-shelf supplies and standard services. However, having questions that pursue possible practices beyond those currently in use provide constructive options for contracting management to improve their procurement processes.

Another concern is that certain areas of the proposed guide go beyond the responsibilities of the field contracting office to the requiring activities. As a result, the concern is that some questions appear to evaluate the field contracting office on items that are the responsibilities of the requiring activities. The purpose of the PMR is to improve overall procurement efficiency and effectiveness, not only contracting efficiency and effectiveness. The questions in the proposed guide pursue avenues to improve procurement processes that may, in fact, be external to the contracting office; they are not intended to be used to evaluate the contracting office. The end result, hopefully, is to better the overall procurement function.

Another concern is that several of the questions that are not designated for inclusion in the official PMR report should receive command attention. One purpose of designating questions for inclusion in the official PMR report is to minimize compliance reporting by reducing the incentive for reviewers to report end item deficiencies so that the focus of the PMR can be on improving procurement processes. This is not to say that anything that is not designated for inclusion in the official PMR report should not receive command attention. The contracting officer should submit command attention items to the command from the nonreported documentation of the PMR team.

As previously stated, chapters II through VII of this thesis should be perused for detailed rationale for the proposed PMR guidance manual.

D. Generalized Process

1. The PMR team should receive mission, organization, and other pertinent information on an activity to be reviewed in advance of the site visit.

2. The PMR team should flow chart a theoretical process for the various procurement functions from the areas of concentration in the proposed guide prior to the site visit. This theoretical process should be developed from applicable laws, regulations, and policy.

3. The PMR team should flow chart an actual process for the various procurement functions during the site visit. The collection of questions in this Appendix will provide reviewers with the means to gain the information needed in order to chart the actual flow. Documentation review and interviews are the primary inputs.

4. The PMR team should compare the theoretical process with the actual process in order to develop an optimum process. This comparison will help identify process deficiencies and will take into account the uniqueness of the contracting environment.

E. Format

A PMR team would pursue answers to questions which come from seven areas of concentration. The questions that would become part of the official PMR report are labeled "[REPORT]". These questions should center on absolute legal/regulatory requirements where the purpose is determining compliance. All other nonreported questions should serve to stimulate thought on improving procurement processes by making suggestions that do not become mandatory requirements by virtue of inclusion in a report submitted up the chain of command.

Some areas of questions may not pertain to all field contracting offices. For instance, foreign purchases may only apply to the field contracting office at Camp Butler Okinawa, Japan while award-fee contract types may only apply to the Marine Corps Logistics Bases (MCLBs). Although these areas may not be directly applicable, headquarters and field contracting personnel should give consideration to these areas as part of the effort to stimulate thought on methods to improve overall procurement processes.

OUTLINE OF AREAS OF CONCENTRATION

A. MISSION AND ORGANIZATION

1. Mission Statement
2. Organization
 - a. Charts
 - b. Relation to Other Organizations
 - c. Internal Organization

B. POLICIES AND PROCEDURES

1. Government Regulations
2. Contract Clauses
3. Award Review Boards
4. Reports
5. Standard Operating Procedures (SOP) and Flow Charts
6. Individual Procedures and Practices
7. Forms and Form Letters

C. PROCUREMENT PLANNING

1. Procurement Plans
2. Financial Management
3. Procurement Specifications
4. Quantity
5. Delivery Schedules and Lead Time
6. Quality
7. Technical Data Acquisition

D. CONTRACTING, SOLICITATION, PRICING, AND SELECTION PROCEDURES

1. Sealed Bidding
2. Negotiations
3. Competition
4. Small Business (SB) and Small Disadvantaged Business (SDB)
5. Kind/Type of Contract
6. Foreign Purchase and Foreign Military Sales (FMS)
7. Other Considerations
 - a. Unsolicited Proposals
 - b. Life Cycle Cost (LCC)
 - c. Multiyear Contracting (MYC)
 - d. Commercial Products
 - e. Component Breakout
 - f. Contracting Out
 - g. Advisory and Assistance Services
 - h. Make-or-Buy
 - i. Qualified Products
 - j. First Article Approval

- k. Service Contracting
- 8. Procurement Request (PR)
- 9. Bidders Mailing List (BML)
- 10. Preparing the Solicitation
- 11. Pricing
 - a. Cost Analysis
 - b. Price Analysis
 - c. Cost Realism Analysis
 - d. Contract Provisions Affecting Price
- 12. Selecting the Source
 - a. Processing Bids and Proposals
 - b. Business Clearances
 - c. Source Selection
- 13. Preparing, Executing, and Distributing Contracts
 - a. Methods and Techniques
 - b. Completeness and Follow-up
 - c. Effective Dates
 - d. Time Frames
 - e. Base Contracting Automated System (BCAS)
- 14. Document Contract Files

E. SMALL PURCHASE PROCEDURES

- 1. Procurement Request (PR)
- 2. Practices

F. POSTAWARD FUNCTIONS

- 1. Responsibility for Postaward Functions
 - a. Location of Responsibility
 - (1) Policies and Procedures
 - (2) Organization of Procuring Contracting Officer (PCO) Postaward Functions
 - b. Coordination
- 2. Contract Management
 - a. Postaward Orientation
 - b. Contractor Progress
 - c. Adherence to Delivery Schedule
 - d. Government Furnished Property/Equipment (GFP/GFE)
 - e. Product Quality and Inspection
 - f. Recoupment of Idle Funds
 - g. Modifications
 - (1) Extent and Causes
 - (2) Changes
 - (3) Terminations for Convenience
 - (4) Value Engineering (VE)
 - (5) Contractor Performance Measurement
 - (6) Contract Closure
 - (7) Miscellaneous Subject Areas

G. MANAGEMENT OF THE CONTRACTING FUNCTION

1. Functions
2. Management
 - a. Control Systems
 - b. Internal Management Control Program
 - c. Management Improvement Program
 - d. Automation and Management Information System (MIS)
 - e. Fiscal Support
3. Staffing
 - a. Adequacy of Resources
 - b. Qualifications of Personnel
 - c. Education and Experience
4. Training and Career Development
5. Personnel Management
6. Morale
7. Standards of Conduct
8. External Influences

A. MISSION AND ORGANIZATION

1. Mission Statement

a. **[REPORT]** Are the mission statements of the contracting office adequate and clear in delineating the responsibilities of the contracting organization?

b. **[REPORT]** Does the mission statement include the description of the types and dollar value of actions processed, the category of goods and services purchased, and the customers served?

c. Is the mission actually being performed in line with the stated mission? If the mission being performed is different, has the mission grown or changed into a new mission?

2. Organization

a. Charts

(1) **[REPORT]** Is the location of the contracting activity in the command organization appropriate and adequate?

(2) Is the effectiveness and efficiency of the contracting office adversely affected by its location in the command structure?

b. Relation to other organizations

(1) **[REPORT]** Do the working relationships with other organizations appear professional and do they advance the meeting of supply and service needs?

(2) Do the working relationships between contracting, technical, financial, and other functional divisions appear professional and do they advance the meeting of supply and service needs?

c. Internal organization

(1) **[REPORT]** Are the buying sections organized by functional or commodity lines, or do they perform all functions of a procurement?

(2) **[REPORT]** Are procurement and contract administration handled together or separately?

(3) **[REPORT]** How many warranted contracting officers are there, and at what levels of the contracting office are they located?

(4) **[REPORT]** How many purchasing officers are there, and at what levels of the contracting office are they located? How are the limitations determined?

B. POLICIES AND PROCEDURES

1. Government Regulations

a. Are there sufficient sets of the Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), the Navy Acquisition Procedures Supplement (NAPS), Department of Defense Directives (DODD), and applicable Marine Corps Orders (MCOs)? What is the optimal number of these regulations/orders?

b. **[REPORT]** Are Federal Acquisition Circulars (FACs), Defense Acquisition Circulars (DACs), and other changes to regulations/orders disseminated in a timely and proper manner?

2. Contract Clauses

a. **[REPORT]** Are standard contract clauses properly inserted into contracts when applicable?

b. Were there trends of inadequate/poor special clauses that created problems with contractors?

3. Award Review Boards

a. Is a contract award review board utilized?

b. Does the board return prospective contracts to contract specialists for additional actions or rework?

c. Is the board process functioning satisfactorily?

4. Reports

a. Are all reports clear, concise, and suitable for need and are they serving the purpose for which they were intended?

b. Does the office use trend charts (e.g., number and value of procurements, procurement administrative lead time (PALT))?

c. Does the office use statistical reports (e.g., small and disadvantaged business, labor surplus, sealed-bid, competition)?

d. Does the office use schedule delinquency reports (e.g., overdue requirements, delinquent contractors)?

e. Does the office use reports that identify contracting activity delinquencies revealed by such things as the need for contract changes or modifications?

f. Does the office use progress reports (e.g., cost reductions, cost overruns, value for price)?

g. Does the office use savings reports (e.g., savings through competition)?

h. Does the office use budget vs. operating costs reports?

i. Is management using their reports to their advantage?

5. Standard Operating Procedures (SOP) and Flow Charts

a. Is there an office SOP? Does it provide clarifying guidance to its users or does it repeat higher level regulations?

b. Are additional procedures needed to implement or clarify instructions from higher headquarters?

c. Are additional procedures needed to define internal responsibilities or approaches?

d. Are the SOPs adequate as training aides and user references?

e. Are there adequate reviews of office SOPs to ensure their currency?

f. Can the SOPs be further simplified in order to improve operations?

g. Are there office flow charts that explain the flow of work within the office? Are they part of the SOP?

6. Individual Procedures and Practices

a. Are there any local procedures or practices that are extraordinary and that could be used by other contracting offices to improve their operations?

b. Are there any local procedures or practices that are detrimental to overall office operations?

7. Forms and Form Letters

a. Are forms containing current information being used?

b. Are forms being revised periodically and are they well explained?

c. Are there any duplicative, poorly designed, inadequately explained, unneeded, or obsolete forms?

d. Is the use and policy of form letters consistent with higher headquarters policy?

e. Would the development of new forms facilitate the procurement process?

C. PROCUREMENT PLANNING

1. Procurement Plans

a. **[REPORT]** Is formal procurement planning applicable to the requirements of the contracting office in order to prevent procurement delays? If so, are procurement plans prepared on a timely, proper basis by contracting office personnel? (FAR 7.1)

b. Are procurement plan milestone decisions identified?

c. Is procurement planning performed for categories and dollar levels that do not require a formal procurement plan?

d. To what extent do the assignments of priority designators, required delivery dates, special project, or quick reaction capability procedures affect procurements?

e. Are contract changes of such frequency or magnitude as to defeat good planning?

f. Are requiring activities appropriately involved with procurement planning?

2. Financial Management

a. What is the primary source of an activity's procurement funds?

b. **[REPORT]** Are funds available for obligation when the contracting office receives the purchase request? If not, do procedures and controls avoid processing delays?

c. To what extent is partial or incremental funding utilized? Is it assisting or hampering the procurement process?

d. If funds are being reprogrammed, is there an adverse effect on procurement?

e. Is procurement planning proceeding as early as practicable, even before availability of funds?

f. Are funding problems contributing to shortened available lead time; use of less advanced contract types, including letter contracts; more sole source procurement; higher contract costs; or an adverse effect on overall logistics support?

g. What is the percentage of dollars obligated in the fourth quarter compared to other quarters?

3. Procurement Specifications

a. Is there evidence that minimum specifications are used to meet requirements and to avoid needless additional costs?

b. **[REPORT]** Are Federal and military specifications used to the extent possible? (FAR 10.006)

c. Have design specifications been so precise as to eliminate competition? Could a performance specification have been used?

d. Have drawings, models, photos, bid samples, or descriptive literature been used judiciously?

e. Have the order of priority and matter of precedence (specification/drawing) been carefully specified?

f. Have work statements for services or specialized requirements been adequate to be clearly understood?

g. Have true salient features been specified in connection with brand name or equal usage? Is there excessive or repetitive use of brand name or equal, indicating the need for preparation of a detailed description?

h. Does the requisitioning activity provide the contracting office with an initially adequate package? Are relationships between the two cooperative and mutually beneficial?

i. Does the contracting officer receive satisfactory background information to support negotiations?

j. Have numerous amendments to Invitation for Bids (IFBs)/Request for Proposals (RFPs)/Request for Quotations (RFQs), complaints, or protests indicated a need for better initial specification preparation?

4. Quantity

a. Are there indications (modifications, cancellations, add-ons) that initial quantity determinations were poorly coordinated (e.g., single service Military Interdepartmental Purchase Request (MIPR) procurements)? Were budgetary or funding limitations responsible?

b. Does contracting have adequate and advance knowledge of full requirements when only partial or limited quantities are requested (may indicate a split purchase)?

c. Has coordination with requisitioners resulted in proper consolidations and use of options, stepladder quantities, and variations?

d. Has contracting developed the most appropriate methods of procurement and types of contracts to cope with quantity requirements (e.g., blanket purchase agreements (BPAs), basic ordering agreements (BOAs), or indefinite quantity contracts)?

e. Were quantities determined by computerized formulas or supply/demand reviews? If so, were constraints such as funding imposed? Is supply effectiveness satisfactory or are there shortages or overstocking affecting quantity determinations?

f. Have combinations and consolidations of items, classes, etc., been maximized for economic efficiency and meeting recurring demands?

5. Delivery Schedules and Lead Time

a. Does the requiring activity provide the contracting office with realistic leadtimes in their purchase request documents to process their requirements?

b. Does the contracting officer review delivery and lead time requirements and schedules and question the originator when they are unrealistic?

c. To what extent do urgency of need and priorities affect normal scheduling? Have the activity and the contracting officer utilized all means possible to offset urgent requests, such as letter contracts, options, add-on of long lead time items to current contracts, splitting quantities, expanded subcontracting, substitutions, or financial assistance?

d. Has allowance been made for Government approvals, provision of Government furnished equipment (GFE), and transportation time?

e. Have the delivery point, method of shipment, consolidations, and packaging been considered in connection with the material size, weight, and criticality?

f. Have liquidated damages been carefully and properly specified?

g. Have Line of Balance, Program Evaluation Review Techniques (PERT) Time, or similar management scheduling or reporting techniques been effectively employed?

6. Quality

a. **[REPORT]** Do procurements indicate inspection or quality control provisions appropriate to the end item or system? Is Government or contractor responsibility clearly set forth? (FAR 46.1)

b. Does the activity procure Qualified Products List (QPL) items? Is there evidence of a review of QPL-type item requisitions for QPL applicability before purchase?

c. Considering the time and cost required for testing, would there be an advantage to the activity establishing a QPL for any product?

- d. Are first article approval methods utilized?
- e. Are first article tests appropriately required?
- f. Are bid samples appropriately required?
- g. Are sufficiently complex equipment or systems being procured to justify establishment of reliability programs? If established, are they meeting operational objectives?
- h. **[REPORT]** Do proposed contracts contain warranty clauses (other than commercial warranty)? If so, have they been duly approved by appropriate authority? (DFARS 246.704)
- i. Are acceptance provisions and place of acceptance clearly set forth in proposed contracts?

7. Technical Data Acquisition

- a. Does the activity have current and clear instructions covering data acquisition?
- b. Does the method used and the documented record of data acquisitions show only actual need?
- c. Have data manager responsibilities been performed on a timely basis?
- d. Has any determination to acquire data and rights necessary for reprourement been adequately documented?
- e. Do contracts indicate judicious use of deferred ordering of data?
- f. Are DD Forms 1423 (Contract Data Requirements List) submitted with proposals separately priced by item? Is the data manager reviewing such DD Forms 1423?
- g. **[REPORT]** Does the contracting officer recognize and protect contractor rights in technical data, review all restrictions to its use, and negotiate rights in technical data to protect the Government's interest (should be identified as early as possible in the acquisition process)? (DFARS 227.402-70(d))

D. CONTRACTING, SOLICITATION, PRICING, AND SELECTION PROCEDURES

1. Sealed Bidding

a. **[REPORT]** Is the sealed bidding procedure used under the conditions set forth in FAR 6.401?

b. Does the review sample reveal any of the following:

(1) Was negotiation required after receipt of bids?

(2) Would negotiation have been more appropriate?

(3) Lack of responsive/responsible bidders/offers?

(4) Were there stringent or restrictive specifications?

(5) Did the use of modifications appear excessive?

(6) Were there efforts by contracting personnel to improve or clarify specifications?

(7) Was bid opening time adequate/inadequate?

(8) How often and under what circumstances is the two-step method used?

(9) If one-step or two-step is used, what kind of evaluation problems exist?

(10) Are technical evaluations completed in a timely period?

c. Do the statistics of the office being reviewed indicate a higher or lower use of sealed bidding?

d. Have specific personnel been designated as bid opening officers?

e. Are there written procedures for bid openings?

f. **[REPORT]** Are mandatory contract clauses included in the subsequent contracts as specified in FAR 14.201-7?

2. Negotiations

a. **[REPORT]** Is adequate justification for negotiation versus sealed bidding contained in the files reviewed? Are they appropriate exceptions to the conditions for using sealed bidding in FAR 6.401?

b. Were goods and services purchased previously using sealed bidding?

c. Is the percentage of dollars and actions negotiated relatively constant or does it fluctuate and, if it does, in what areas?

d. **[REPORT]** Are mandatory contract clauses included in the subsequent contracts as specified in FAR 15.106?

3. Competition

a. Indicate competition trends from the DD Form 350, using the contracting files reviewed.

b. To what extent does management emphasize competition? Is it given consideration early in the acquisition process?

c. Are technical reprocurement data packages available and, if not, why not?

d. Is a dual sourcing approach ever considered?

e. Are components ever broken out and competed?

f. Are unsolicited proposals properly evaluated to assure uniqueness?

g. **[REPORT]** Are the justification and approvals (J&As) for other than full and open competition completed IAW FAR 6.303?

h. Are the J&As for other than full and open competition documented with specific rationale of the necessity to restrict competition, or are they general in nature with no concrete facts?

i. **[REPORT]** Did the J&As use the appropriate FAR exception and were appropriate approvals obtained? (FAR 6.302; 6.304)

j. When using J&As, does the contracting office have a preponderance of "only one source of supply" justifications?

k. Is there evidence of market research and/or other planning for competition?

l. Has the contracting officer or technical personnel taken any action to ensure competitive buys?

m. Are written policy and procedures for processing J&As at all levels being implemented?

n. Is there an approved competition plan? If so, how well is it working?

o. What is the rejection rate of J&As that must be competed?

p. **[REPORT]** Has a competition advocate been appointed at the contracting office? (FAR 6.501)

q. Are there policies, procedures, and guidance applicable to or prepared by the competition advocate and are they adequate?

r. What procedures, if any, is the competition advocate using to identify and eliminate barriers to competition?

s. Does the competition advocate provide training in techniques of maximizing competition?

4. Small Business (SB) and Small Disadvantaged Business (SDB)

a. How do the contracting office's actual contract awards to SB/SDB compare with their previously set goals?

b. Has a small and disadvantaged business utilization (SADBU) specialist been assigned in the contracting office? Was he/she appointed in writing?

c. Does the SADBU specialist report directly to and is responsible only to the appointing authority?

d. Is the SADBU specialist maximizing opportunities for SBs and SDBs to learn of procurement opportunities within the contracting office?

e. **[REPORT]** Are mandatory clauses included in solicitations with SB/SDB concerns? (FAR 19.304; 19.508; 19.708; 19.811-3; 19.1007)

f. [REPORT] Does the contracting office totally or partially set aside an individual acquisition or class of acquisition for SB/SDB concerns? (FAR 19.502; 19.503; DFARS 219.502; 219.504)

5. Kind/Type of Contract

a. Are other contract types besides the firm fixed price type used by the contracting office? Is this consistent with their requirements? Could the use of other contract types improve procurement efficiency?

b. In the files reviewed, where the requirements were cancelled prior to award, was the cancellation justified or the result of poor planning?

c. To what extent are letter contracts used and is the use of this type of contracting documented sufficiently in the file? Is definitization accomplished within the required time from date of award? If definitization was not accomplished, were the proper waivers obtained?

d. To what extent are award-fee type contracts used and is the file documented to show this type contract appropriate?

e. Is the Equal Employment Opportunity (EEO) compliance being implemented in awards over \$1 million?

f. How and by whom are solicitations and proposed contract documentation in excess of \$25,000 reviewed?

g. In the files reviewed, did the solicitation and contract reflect the proper clauses for the type contract used?

h. Does the Business Clearance address and document with rationale negotiation positions before negotiations begin? Is there any evidence that negotiations are being conducted prior to obtaining proper authority?

i. Is field pricing assistance from the Defense Contract Audit Agency (DCAA) or the Defense Contract Management Command (DCMC) being requested? If not, does the file document complete rationale for not using it? If field pricing assistance is not used, where is the pricing information used received from and how is it justified?

j. Is the DD Form 1547 (Weighted Guidelines) being implemented with the current form and at the prescribed dollar

level for all negotiated procurements? Is the DD Form 1547 filled out correctly?

k. Is the rationale addressed for each weight applied on the DD Form 1547?

6. Foreign Purchase and Foreign Military Sales (FMS)

a. **[REPORT]** Are only domestic end products acquired for materials and supplies except for listed exceptions? (FAR 25.102)

b. **[REPORT]** Are only domestic construction materials acquired for construction except for listed exceptions? (FAR 25.202)

c. Does the organization buy items that are bought or sold to foreign nations? Are all administrative costs associated with FMS properly charged to foreign customers?

d. **[REPORT]** Are acquisitions for use outside of the U.S. conducted IAW the Balance of Payments Program? (FAR 25.3)

e. Is the Buy American Act appropriately waived for items covered by cooperative, NATO, or Foreign Military Sales (FMS) offset agreements?

f. Are appropriate provisions included in solicitations for commodity and communist country restrictions?

7. Other Considerations

a. Unsolicited Proposals

(1) Is there guidance that unsolicited proposals are being "solicited" by requirements personnel to avoid issuing competitive solicitations?

(2) Are evaluations conducted by knowledgeable personnel who can assess the uniqueness and innovativeness of the concept of unsolicited proposals?

(3) How are contractors encouraged to submit original ideas?

(4) Has there been a noticeable decline in unsolicited proposals since the Small Business Innovative Research (SBIR) Program?

b. Life Cycle Cost (LCC)

- (1) Is LCC being used?
- (2) Is LCC addressed in the procurement plan?
- (3) Are there any contract incentives for LCC?
- (4) Are sufficient data being received to evaluate how it will work?

c. Multiyear Contracting (MYC)

- (1) Is MYC being used or considered for large stable programs?
- (2) Is MYC used or considered on service contracts?
- (3) Are proposed savings being documented?
- (4) Are all MYCs firm-fixed price (FFP) or FFP with escalation?

d. Commercial Products

- (1) Do requirements managers seek commercial products when they are available?
- (2) Are commercial items or other generic descriptions used?
- (3) Are commercial support systems considered where appropriate?

e. Component Breakout

- (1) Is there documentation supporting component breakout decisions?
- (2) Are the cost benefits addressed in the documentation?
- (3) Is a formal system of cost/benefit analysis being used?

f. Contracting Out

- (1) Have there been recent cost comparison studies within the organization?

(2) Is there early involvement of contracting personnel?

(3) Is documentation available that allows the team to determine the study was correctly conducted?

(4) What is being done to survey the contractor's performance?

(5) Have performance work statements (PWS) been written for the contracted service?

g. Advisory and Assistance Services

(1) Are proper approvals for initiation included in the contract file?

(2) Are contractor evaluation and end-of-use reports available for completed efforts?

(3) Are conflict of interest provisions included in contracts?

h. Make-or-Buy

(1) **[REPORT]** Are prospective contractors being required to submit make-or-buy programs for all negotiated acquisitions valued over \$5 million? (FAR 15.703)

(2) Do large complex contracts contain the changes or addition to make-or-buy program?

(3) Are changes received from the contractor placed in the contract file?

(4) Is small business participation invited for recommendations on the plan?

i. Qualified Products

(1) Is the product requiring qualification on the approved Qualified Products List (QPL)?

(2) Were the items promptly synopsized?

j. First Article Approval

(1) How often is First Article Approval used? For every new buy? For every new contractor?

(2) Are alternative proposals allowed on competitive bids/proposals when using and FFP type contract?

(3) Is First Article Approval being used rather than conducting a good preaward survey?

k. Service Contracting

(1) **[REPORT]** Are all service contracts considered nonpersonal service contracts except for those personal service contracts specifically authorized by statute? (FAR 37.1)

(2) **[REPORT]** Are any service contracts awarded for the performance of an inherently governmental function? (FAR 37.102)

(3) Are there any indications of nonpersonal service contracts being improperly administered so that, in essence, it becomes a contract of a personal (employer-employee) nature?

(4) How are personal/nonpersonal determinations made?

8. Procurement Request (PR)

a. Is there a central point of entry and control for PR documents?

b. Are PR documents registered by date received in order to track PALT?

c. How are the PR documents subsequently distributed?

d. Are PR documents being checked for adequacy and completeness? Are inadequate or incomplete PR documents promptly returned to the requesting activities?

e. Is there an automated requisitioning system (ARS) in use? Would the activity benefit from implementing an ARS?

9. Bidders Mailing List (BML)

a. **[REPORT]** Does the organization have a BML? (FAR 14.205)

b. Is the BML being used?

c. Are the bidders lists long enough to justify usage?

- d. Are preinvitation notices synopsisized?
- e. Is the BML primarily used for acquisitions where drawings and/or attachments are involved?
- f. Is the BML computerized or is it manually operated?
- g. How is the BML maintained?
- h. How often is it updated?
- i. Is the list annotated to indicate the status of response?

10. Preparing the Solicitation

- a. **[REPORT]** Are all solicitations prepared IAW FAR 14.2 and 15.4?
- b. Are the acquisitions large and complex enough to warrant using draft RFPs?
- c. Are cost savings emphasized in draft RFPs?
- d. If draft RFPs are used, are contractor comments or suggestions incorporated into the final RFP?
- e. Are adequate bid sets available for competition?
- f. Are bid sets available to small businesses when asked?
- g. Is the prebid/preproposal conference technique used for complex solicitations? Who conducts such conferences?
- h. How are questions answered? Are questions and answers sent to everyone who received the RFP/IFB, whether or not they attended the conference?

11. Pricing

- a. Does the contracting office maintain and utilize data bases of historic costs to provide a starting point for estimating the costs of similar goods or services?
- b. Under what conditions are cost analysis and price analysis used?

c. Cost Analysis

(1) [REPORT] Is field pricing support requested (e.g., from DCAA) IAW DFARS 215.805-5?

(2) Does the contracting officer examine the contractor's proposal for adequacy before requesting support (does not have to be detailed; should ensure entire requirement is covered by the proposal, that the basis for estimating each cost element is addressed, and that cited bases are reasonable)?

(3) Is requested field pricing support comprehensive or is it specific in scope, focusing attention to particular cost elements or questions?

(4) Are costs incurred on previous procurements for the same or similar items utilized in forming the prenegotiation objective?

(5) Is approval obtained for negotiation objective?

(6) Does the contracting officer document what cost or pricing data are received and what use is made of it? (Note: documentation will play a significant role in the event of a claim of defective pricing)

(7) Does the postnegotiation memorandum discuss and explain the differences between the prenegotiation position and the negotiated result? Are reasons for the difference properly documented? (Note: comparing the prenegotiation position to the negotiated result is not a means of determining contracting office effectiveness)

d. Price Analysis

(1) Is the determination of the competitive range formally made? Is it readily obtained from the contract file when the determination was made, who made it, and on what basis offerors were excluded?

(2) Does the contracting office have procedures to determine established catalog or market prices?

e. Cost Realism Analysis

(1) Are cost realism analyses being performed on all cost reimbursement contracts? (NAPS 5215.805-7)

(2) Are they being performed on contracts where the contracting officer suspects a "buy-in" or a misunderstanding of requirements by the contractor? (NAPS 5215.805-7)

(3) Are there means of ensuring that the technical proposal corresponds to the cost proposals?

f. Contract Provisions Affecting Price

(1) Is the cost impact of clauses understood and intended by the contracting officer and is it properly reflected in the contract price (e.g., GFE clauses, progress payments clauses, economic price adjustment clauses)?

12. Selecting the Source

a. Processing Bids and Proposals

(1) **[REPORT]** Does the contracting office employ appropriate procedures to assure confidentiality in the bidding process? (FAR 14.401; NAPS 5214.401)

(2) Is there a central receiving point for bids and proposals where they are date and time stamped?

(3) Are return envelopes or preprinted gummed labels used?

(4) Are time stamp procedures adequate to minimize problems involving late bids?

b. Business Clearances

(1) **[REPORT]** Does the contracting officer prepare both pre-negotiation and post-negotiation business clearances before entering into any contracts unless specifically waived? (NAPS 5201.690; MCO P4200.15G 2304)

c. Source Selection

(1) Is there a source selection plan?

(2) **[REPORT]** Are evaluation criteria clearly stated in RFPs? (FAR 15.605)

(3) **[REPORT]** Are the published evaluation criteria explicitly followed during the source selection process? If not, were the offerors given an opportunity to revise their proposals in light of the new criteria or requirements? (FAR 15.606)

(4) [REPORT] Is a competitive range established?
(FAR 15.609)

(5) [REPORT] Are written or oral discussions conducted with all responsible offerors within the competitive range? (FAR 15.610)

(6) Are technical proposals evaluated prior to evaluation of price proposals by the requiring activity? (FAR 15.608)

(7) [REPORT] Are offerors advised of their deficiencies? (FAR 15.610)

(8) [REPORT] Is there any evidence of auctioning? (FAR 15.610(e))

(9) [REPORT] Are all responsible offerors given a best and final offer (BAFO) cutoff date? (FAR 15.611)

(10) Is there evidence cost risk and cost realism were considered during the source selection?

(11) [REPORT] Is there evidence losing offerors were properly debriefed concerning their proposals? (FAR 15.1001)

(12) Is legal review of award decisions obtained?

13. Preparing, Executing, and Distributing Contracts

a. Describe the methods and techniques utilized in preparing, executing, and distributing contracts.

b. Determine completeness of the system in place and determine if a positive follow-up system exists to assure prompt return of signed documents from the contractor.

c. Review the effective dates of the contract and dates of its release to the contractor. Are effective dates prior to award dates justified?

d. Are time frames excessive?

e. Base Contracting Automated System (BCAS)

(1) To what extent has the use of this system been implemented by both working level personnel and managers?

(2) Do the users receive adequate training to make full use of the system?

(3) Does the contracting office have adequate maintenance and troubleshooting capability available?

(4) Do requirements personnel have the ability to use or interface with the system in order to facilitate the work flow and eliminate duplication of effort?

(5) Is the most current and complete data being input into the system?

(6) Is an information security system being utilized?

(7) Is there a valid training program in place for information system security in order to inform the users of threats to the system?

(8) Are system and data backups available and regularly updated?

(9) Does the contracting office have an alternate processing site or method for contingency operations in the event of major damage to the system?

14. Document Contract Files

a. **[REPORT]** Excluding small purchases, is the contract file in accordance with (IAW) FAR 4.801?

b. Is each major procurement action documented and tabbed so that it can be easily retrieved?

c. Are signed original contracts kept in the official file?

d. Have signed original copies been "marked-up" or otherwise altered without being initialed by both the contractor and the Government?

e. How are the files divided? Could contract dividers be used to improve efficiency?

f. Is documentation filed by subject matter and in chronological order?

g. Is there a checklist and how is it placed in the file?

h. Is it another piece of paper or is the list printed on the file folder? Is the checklist completed?

E. SMALL PURCHASE PROCEDURES

1. Procurement Request (PR)

a. Is there a central point of entry and control for small purchase PR documents?

b. Are PR documents registered by date received in order to track procurement administrative lead time (PALT)?

c. How are the PR documents subsequently distributed?

d. Are PR documents being checked for adequacy and completeness? Are inadequate or incomplete PR documents promptly returned to the requesting activities?

2. What is the obligated amount of FY small purchases and what is the number of actions completed annually?

3. **[REPORT]** Are all small purchases exclusively reserved for small business concerns if not excluded by FAR 13.105?

4. To what extent are deliveries made on time and is the contractor being paid promptly? If not, why not?

5. **[REPORT]** Are multiple quotations obtained for purchases in excess of \$2,500? (FAR 13.106(b))

6. Are solicitations handled manually or by automation?

7. Does automation provide the generation of management reports?

8. If actions are prioritized, how high do priorities run?

9. Is the fairness and reasonableness of price documented?

10. **[REPORT]** Are blanket purchase agreement (BPA) calls distributed equally to and rotated among contractors? (FAR 13.203)

11. **[REPORT]** Are BPAs reviewed annually IAW FAR 13.205?

12. **[REPORT]** Is there any evidence indicating split awards to meet small purchase thresholds? (FAR 13.103)

13. Under whose authority is the imprest fund and how is it administered?

14. For those purchases of \$2,500 or less, are there means to ensure the price reasonableness of an item since competition is not required?

15. **[REPORT]** For those purchases of \$2,500 or less, are buyers distributing equitably the purchases among qualified suppliers? (FAR 13.106(a))

16. **[REPORT]** Does a review of the imprest fund indicate whether there is a continuing need for each fund established and that the amounts of those funds are not in excess of actual needs? (FAR 13.403)

17. **[REPORT]** Are there any imprest fund transactions that exceeded \$500? (FAR 13.404)

18. Is a definitized list of contents of small purchase files needed?

19. Is a credit card system being used for small purchases? If so, are the procedures approved by HQMC (Field Contracting Support Branch)?

20. Has the use of credit cards restricted competition because contractors did not have a system for credit payments?

F. POSTAWARD FUNCTIONS

1. Responsibility for Postaward Functions

a. Location of Responsibility

(1) Are there any contracts in which the contracting office delegated contract administration functions to DCMC or a Defense Plant Representative Office (DPRO)?

(2) Policies and Procedures

(a) Are existing policies, procedures, and practices governing the administration and management of retained contracts and contract administration functions reasonably available, understood, uniformly followed, and sound?

(b) Are they consistent with other Government programs or contracts held by the contractor?

(3) Organization of Procuring Contracting Officer
(PCO) Postaward Functions

(a) In what organizational framework are these functions set?

(b) How is workload measured? Does management use workload trend data? How? When? Are the causes of unusually high workloads isolated and dealt with?

(c) What manpower/other resources are allocated to these functions? Are human and other resources commensurate with workload? Are allocations of manpower/other resources adjusted in the face of workload shifts?

b. Coordination

(1) Does the contracting office impede performance of contract administration functions by delaying the distribution of contracts or by bad communication or delegations of responsibilities?

(2) Does the contracting office receive timely distribution of relevant reports under the Contractor Procurement Systems Review (CPSR) Program? Is adequate use made of these reports? What controls, if any, are exercised to assure that reported weaknesses are corrected and considered in postaward pricing and negotiations on new contracts?

2. Contract Administration

a. Postaward Orientation

(1) Are contracts subjected to early review to identify any special orientation needed to instruct all Government personnel in their responsibilities in this area?

(2) **[REPORT]** Are the policies and procedures set forth in FAR 42.5, Postaward Orientation, implemented to assure mutual understanding between the parties about their responsibilities?

(3) Are technical responsibilities of Government versus contractor clearly set forth in the contract?

b. Contractor Progress

(1) What methods of monitoring progress of contractors are employed? Is there optimum utilization of such techniques as production schedules; cost performance

reports; cost/schedule status reports; other cost information documents, such as invoices or vouchers; progress payment billings; progress evaluation conferences and reviews; special scheduling and cost control systems; and Line of Balance production analysis?

(2) **[REPORT]** Are contracting officer's technical representatives (COTRs) used? If so, are there established procedures for qualifications, appointments, training, and oversight? (DFARS 201.602; 242.74)

(3) Are the methods of monitoring progress commensurate with the duration, complexity, urgency, and dollar value of the contract?

(4) Do these methods yield current information and isolate performance problems?

(5) Are cost/schedule control systems surveillance responsibilities being performed IAW appropriate guidance and regulations?

(6) Do progress data identify needed action by the Government, such as expediting subcontractors, locating other sources of supply, priorities assistance under the Defense Materials System, action under the Military Urgency System, provision of Government material, substitution of more readily available material for that required by the contract, financial assistance, and so forth?

c. Adherence to Delivery Schedule

(1) How and when is delivery status information fed to contracting managers? Is this information current and accurate?

(2) How is timeliness of delivery managed? Are overall trend data available on the extent of contract delinquency?

(3) Is the reporting of delinquency distorted by grace periods, a "no news is good news" philosophy, or by measurement of delinquencies against a base that includes all contracts, even those on which delivery was not due during the report period?

(4) Are the causes and duration of contract delinquency isolated so that appropriate cure actions can be taken?

(5) To what extent and how is the Government responsible for delinquency?

(6) Is the default clause soundly administered? Prior to taking default action, does the Government consider such matters as the competitive availability of the item, supply position, urgency of the requirement, compliance with delivery schedules by other producers of the item, extent of delinquency, cause of delinquency, degree of excusability of nonperformance, importance of contractor to the defense effort, impact of default termination on performance under other contracts, and impact of termination on the liquidation of guaranteed loans, progress payments, and advance payments?

(7) Is there a tendency for delinquencies to be condoned by the failure of the Government either to issue a default termination notice or to establish a new delivery schedule?

(8) When performance is endangered or the contractor fails to perform a provision other than that relating to the delivery schedule, are cure notices utilized IAW the default clause?

(9) Do delivery schedules consider the long lead times required for raw and finished materials?

(10) In assessing excess costs incurred via reprocurement action against the account of the defaulting contractor, are damages to the Government computed to include such items as costs involved in moving GFP/GFE to the plant of the replacement contractor, administrative costs of readvertising, additional inspection, and additional freight?

d. Government Furnished Property/Equipment (GFP/GFE)

(1) **[REPORT]** When GFP is in stock, is it routinely earmarked for the intended contract to preclude some other use? (FAR 45.102)

(2) Do contracting and program personnel know that inaccurate GFP descriptions may result in claims of unsuitability? Is the accuracy of GFP descriptions checked to minimize such difficulties? Are descriptions based on recent inspections or old records? Do contracting and program personnel doublecheck GFP descriptions to make sure they are as complete as practical and tell the contractor exactly what to expect, thereby minimizing claims for unsuitability on the basis of having expected something better?

(3) The standard property clauses in FAR discuss the obligation of the Government to deliver specified property to the contractor "together with such related data and information as the contractor may request and as may reasonably be required for the intended use of such property...." Differences of opinion as to what data "may be reasonably required" could easily breed controversy. Is it anticipated that "related data" may become a problem? Is it avoidable by discussing with the contractor what data are available so he will not expect more?

(4) Do contracts provide whether property bailed for repair, modification, etc., is to be considered GFP under the GFP clause?

(5) Are orders for timely delivery of GFP issued without waiting for the contractor's request, unless such request is a condition? If no time is fixed in the contract and a reasonable time is not obvious, is the contractor asked when he wants the GFP?

(6) Are checks made of the progress of property being fabricated by one contractor as GFP to another? Is the contractor to whom the property will be delivered as GFP advised when delays appear likely, so that costs may be minimized by suspending or working around any work contingent upon such GFP? In case of such delays, is consideration given to another source or a substitute for the GFP?

(7) When a GFP delinquency occurs, is the matter called to the cognizant management's attention? Is prompt remedial action taken to direct repair, contractor procurement, substitution of GFP, changes in contract requirements to waive GFP, etc? Are facts documented in case of later claims for equitable adjustment based on GFP condition, delays, or added costs?

(8) Are contracting personnel making prompt GFP price adjustments and time extensions while the facts are still fresh and before the GFP problem gets mixed up with other contract operations, difficulties, or costs?

(9) Are equitable adjustments for GFP delinquencies limited to delays? Are additional costs clearly referable to and occasioned by the Government's delinquency? Or, for example, is it assumed that each day of delay in delivery of GFP entitles the contractor to an equal extension of delivery, without regard to whether his progress had brought him to the point of being ready for GFP? Are contractors permitted to use GFP delinquencies to obscure their own failures?

(10) In the event of loss or damage, is responsibility fixed promptly and is repair, replacement, or other appropriate action taken?

(11) Generally, is GFP delivered on time and in suitable condition? What are the causes of delinquencies? Are they costly to the Government? How is the problem managed?

(12) What assurance is there that contractors perform their responsibilities for identification, segregation, inventory, record keeping, consumption, salvage, scrap, and disposal under the applicable manual for control of Government property in possession of contractors? What controls are exercised to assure only authorized use by contractors of GFP in their possession?

e. Product Quality and Inspection

(1) What is the organizational structure for product quality and inspection?

(2) Are contracting personnel sufficiently familiar with the various types of contract quality requirements to recognize gross disparities between the nature of the times purchased and the specified quality requirements?

(3) **[REPORT]** Are they aware of the circumstances normally associated with standard inspection requirements, inspection system requirements, and quality program requirements? Are they alert to the applicability of MIL-I-45208 and MIL-Q-9858? (FAR 46.2)

(4) In planning the extent of Government quality assurance (QA) actions, is adequate attention given to the possible effect of failure on health, safety, and equipment; tactical or technical importance; complexity and need for required reliability; reliability of contractor's quality records; quality history of the contractor; and unit cost?

(5) What information is available to the PCO on the quality history of individual contractors? When and how is this information used? Who maintains the information?

(6) Is there adequate coordination between PCO and technical personnel for a formal contract on quality requirements and the issuance of Government inspection instructions to the contract administration office?

(7) Are product-oriented surveys conducted to evaluate the adequacy of technical and quality requirements? By whom? Are contracting personnel involved in these?

(8) Does the contracting organization coordinate with technical personnel relative to contract quality requirements on items being produced for the first time?

(9) How does management determine acceptability of quality?

(10) Is there adequate coordination between the PCO and the technical activity to determine the cause of difficulties at the contractor's plant prior to acceptance, as well as those reported by users? Are appropriate cure actions coordinated? By whom?

(11) To what extent is the expertise of in-house QA specialists utilized in connection with preaward surveys, waivers, sole source justifications, first article administration, and performance evaluations?

(12) Is there adequate review to assure against excessive quality requirements?

f. Recoupment of Idle Funds

(1) What controls are in effect to assure effective and timely action in the recoupment of excess funds for reprogramming purposes?

(2) Are files reviewed to identify excess funds? Is recoupment action prompt?

(3) Are documents that might have fund release implications filed without action?

(4) **[REPORT]** Is timely action taken to deobligate funds on completed or partially terminated contracts? (FAR 4.804-5; 49.105-2)

(5) Do cognizant commands or offices receive timely final payment status notices? If not, do they maintain steady communication with the paying office until the final payment notice is received?

(6) Are responsibilities for timely deobligation of funds clearly defined? Are there written procedures on the subject?

g. Modifications

(1) Extent and Causes

(a) What is the extent of modifications workload?

(b) How is this workload controlled and managed?

(c) Are data on the stratification of modifications by reason retrievable and used?

(d) What are the major causes of modifications?

(e) To what extent is the paperwork associated with contract modifications avoidable?

(f) What is being done to correct weaknesses?

(2) Changes

(a) Is there an adequate interface between contracting and technical personnel on contract changes?

(b) What is used to determine the adequacy of considerations negotiated because of technical relaxations?

(c) **[REPORT]** Is the definitization of changes and letter contracts timely? (FAR 43.204(b))

(d) To what extent are delays in definitization resulting in after-the-fact pricing or cost plus percentage of cost contracting? Is the actual situation reflected to higher authority? Are reportable change orders excluded from this report?

(3) Terminations for Convenience

(a) **[REPORT]** Are PCOs adequately discharging their responsibilities for initiating actions in this area? (FAR 49.101)

(b) Is effective liaison maintained between PCO and the contractor?

(c) Are termination claims processed equitably and on time?

(d) What is the extent of termination action?

(e) What is the extent of overage claims? Is the aging of claims adequately controlled? What are the major causes of this situation? What is being done about them?

(4) Value Engineering (VE)

(a) How is the VE program organized? What are the benefits derived?

(b) **[REPORT]** Are value engineering change proposals (VECPs) processed IAW FAR 48.103?

(c) How is appreciation for the program motivated in-house and with industry? To what extent is promotional effort with industry on a management-to-management basis? Are contractors encouraged to establish VE sharing arrangements with their subcontractors so that a greater base is created for initiating ideas to reduce defense costs?

(d) To what extent does the VE monitor participate in preaward review of clause coverage? What kind of share arrangements are offered? Are these adequate for contractors?

(e) Is the following information available?

- Fiscal year.
- Number of contracts awarded with VE clauses.
- Dollar value of contracts awarded with VE clauses.
- Number of contractors related to contracts awarded with VE clauses.
- Number of VECs accepted.
- Total savings represented by VECs.
- Percentage of total savings represented by VECs shared by the Government.
- Rate of VEC rejection.
- Total savings represented by VECs minus dollar value of contracts awarded with VE clauses.
- Dollar value related to percentage of total savings represented by VECs shared by the Government.
- Average VEC processing time of receipt to acceptance and receipt to rejection.

(f) Are receipts of VECs acknowledged and are contractors kept advised of status?

(g) Are contractors courteously advised of VECP rejections?

(h) Is Government action on VECPs timely or tardy? Causes of tardiness?

(i) Are there instances in which actions on VECPs are ultimately incorporated as engineering changes with the contractor inequitably denied the gain he/she had a right to expect under the VE clause?

(5) Contractor Performance Measurement

(a) What system is in effect for developing and retaining contractor performance measurement data?

(b) Do contracting personnel review analytical and rational input on variance analyses concerning deviations of the planned expenditure curve?

(c) Are budgeted costs for work planned and work schedule and actual cost for work performed trends tracked to ascertain that the Estimate at Completion (EAC) provides fiscal conformity to program budget?

(d) Are decisions made on program changes to stay within programmed budgets as to provide full funding for a complete project?

(e) Are system reviews and variance analyses provided by reporting activities adequate, complete, and timely? Do reporting activities provide equivalent and uniform analysis reports? Are there major variations in the preparation and presentation of findings in reporting analysis that require resolution?

(f) What use is made of the data provided by the systems and variance analyses and the contractor-provided forms required from applications of these DOD performance measurement/cost reporting systems?

(g) Is management knowledgeable as to the application of these systems according to the financial value of the contract? Are technical and cost measures applied according to procedures? Are computer cost models and programs used to build data banks for program control and forecasting of future costs for equivalent contract actions?

(6) Contract Closure

(a) [REPORT] Are contract closures being accomplished IAW FAR 4.804-5?

(b) What is the extent of completed contracts not closed?

(c) Are closures timely?

(d) What are the delay causes? Are they controlled?

(7) Miscellaneous Subject Areas

(a) How well are claims and disputes handled? What do the files on these actions signify about the quality of work performance in the contracting organization? Does management get feedback from these activities to highlight vulnerable decisions and practices?

(b) Are facilities contracts adequately administered?

(c) Is an effective Industrial Mobilization Planning Program in operation? Is it supported by management?

(d) [REPORT] Are contractors paid on time? (FAR 32.9)

(e) What decisions are made on allowability of cost? Advance agreements?

(f) Are the transportation, packaging, packing, and marking aspects of contracts adequately managed?

(g) Are sound decisions made relative to stop work orders, overtime, extra-shift work, multi-shift work, and labor-management difficulties?

(h) Is there timely planning for provisioning?

(i) Are contractor-Government relationships adversely affected by such practices as:

- Excessive conference requirements?
- Overapplication of Government controls?
- Unjustified withholding of payments?
- Unrealistic scheduling?
- Inadequate or incomplete specifications?

- Unnecessary testing requirements?
- Delays in honoring partial payment requests pending final termination settlements?
- Pressure for performance in advance of contract coverage?
- Inadequate communication at the proper level?

G. MANAGEMENT OF THE CONTRACTING FUNCTION

1. Functions

a. Are there unlisted functions within the office SOP which are being performed or which should be performed?

b. Is there any duplication or overlap in functional responsibilities? Are there any questionable areas as to the responsibilities as delineated in the office SOP?

c. Are there conflicting functions being performed?

d. Can the contracting office perform required functions with the available staff?

2. Management

a. Control Systems

(1) Does the contracting office have some management control system for measuring the office's accomplishments against its responsibilities and objectives?

(2) Does the system provide a basis from which management can identify problem areas as well as plan future operations?

(3) Does management use such information to improve operations and planning?

b. Internal Management Control Program

(1) **[REPORT]** Has the contracting office implemented a comprehensive system for internal management control IAW DODD 5010.38?

(2) Does the system comply with the GAO Standards of Internal Control in the Federal Government?

(3) Are annual certification statements and semiannual reports submitted up the chain of command?

(4) Are managers provided with appropriate training?

c. Management Improvement Program

(1) Does a management improvement program exist? Does it state goals? Assign responsibilities? Measure progress?

(2) Does it include goals and progress reporting on high-visibility DOD programs such as competition, small business, etc.?

(3) Is the program satisfactory in concept? In action? Is it under continual managerial surveillance?

(4) Do management analysts from the command's higher headquarters conduct periodic surveys on organizational structure, staffing allocations, methods and procedures, and organizational effectiveness?

d. Automation and Management Information System (MIS)

(1) To what degree has the contracting office developed and used MIS?

(2) What control and coordination of MIS does the contracting office use to preclude the proliferation of single purpose, single user systems?

(3) Is maximum use of automated data processing equipment (ADPE) on hand made?

(4) Are MIS programs suitable for export to other contracting offices?

e. Fiscal Support

(1) How is the contracting office's budget developed and processed to higher echelons for approval?

(2) Have prior forecasts of contracting budgetary needs been realistic? Are forecasts based on an analysis of prospective workload and subsequently adjusted to reflect actual workload?

(3) Is the current contracting budget adequate?

3. Staffing

a. Adequacy of Resources

(1) **[REPORT]** What is the breakdown of contracting personnel by GS/GM grade or military rank and by subdivisions

of the contracting office? What is the grade distribution throughout the office?

(2) Is there evidence of overstaffing, understaffing, oversegmentation of the function or undergrading of personnel according to responsibilities assigned?

(3) Are there personnel vacancy problems (short and long term)?

(4) Are there staffing reviews that consider the effectiveness of plans to accommodate changes in personnel requirements as the result of increases in workload, prospective new contractor programs, or reductions in contractor activity?

(5) Are there statistics that reveal inadequate staffing, inequitable distribution of work, and uneven backlogs?

b. Qualifications of Personnel

(1) Generally, does the contracting office recruit and maintain a qualified and skilled workforce?

(2) Can qualifications be determined through personnel records kept on education, experience, and training?

c. Education and Experience

(1) **[REPORT]** What is the experience and education background of contracting personnel (i.e., some high school, high school diploma, some college, bachelor degree, masters degree, years experience in contracting and in present occupation, etc.)?

(2) Military personnel

(a) Are experienced military personnel being assigned to higher level contracting positions?

(b) Are educational and experience backgrounds adequate?

(c) Is lack of experience offset by training and is there continuity of skilled management?

(d) Are military officers being trained in contracting?

(e) Are key positions being staffed by military personnel lacking the requisite experience or training?

4. Training and Career Development

a. Are supervisors reluctant to devote working hours for training purposes?

b. Does this reluctance tend to undermine the efforts of training officers or adversely affect individual careers and job performance?

c. Have supervisors undertaken an active training program and sponsor career development? Do they realize the benefits in building specific career patterns?

d. **[REPORT]** Has the contracting office developed and implemented procedures to comply with the requirements of the Defense Acquisition Education and Training Program (DODD 5000.52)?

e. Does the contracting office have a viable intern program?

f. Are the number of interns consistent with anticipated turnover, projected workload, and planned intake at mid or higher levels?

g. Is an appropriate and up-to-date formal career development plan on file for each intern?

h. Does the organization have formal training programs for contracting personnel?

i. Do these programs recognize off-site training or provide a limited number of spaces in selected courses for personnel? Are they adequately funded?

j. Is this training supplemented by in-house training?

k. Does training afford progression and breadth of scope for career development?

l. Do the grade levels allow for progression to positions of greater responsibility?

m. Is there an opportunity for career counselling?

n. Customer Education

(1) Does the contracting office educate requiring activities about their duties and responsibilities in the procurement process?

(2) Is there a manual or guide issued by the contracting office that is distributed to requiring activities? Does it cover areas such as procurement authority, unauthorized commitments, unsolicited proposals, ADPE, constructive changes, administration of service contracts, procurement lead times, priority abuse, acquisition plan preparation information, Justification and Approval document preparation information, purchase request and specification preparation information, independent government estimates, technical data, and funding?

5. Personnel Management

a. What are the causes of personnel turnover over the past two fiscal years? Are they valid reasons or are they an indication of poor personnel management?

b. Has the workload fluctuated in the last two fiscal years? If the fluctuation was a steady increase or decrease, was the staffing level adjusted accordingly? If the fluctuation was temporary, was temporary augmentation possible?

c. Do reports of overtime costs/hours reveal a pattern of regular overtime?

d. Are the reasons for overtime being used to:

(1) Compensate for personnel deficiencies?

(2) Compensate for inequitable work distribution?

(3) Handle peak workloads?

e. Have work backlogs, use of overtime, etc., had any adverse effects on personnel or performance?

6. Morale

a. Are there any indications of high turnover, negative general attitudes, gripes, slipshod performance of duty, complaints from outside sources, or other signs of unsatisfactory personnel relations?

b. Do the promotional records of civilian personnel indicate that vacancies are filled exclusively by outside recruitment and not by in-house personnel? Is there adequate opportunity for advancement to maximize employee retention?

c. Are awards given to a select few year after year? Is a lack of supervisory effort responsible for a failure to recognize superior performance?

7. Standards of Conduct

a. **[REPORT]** Have contracting personnel filed annual Statements of Affiliation and Financial Interests (DD Form 1555) IAW DODD 5500.7?

b. **[REPORT]** Is periodic training conducted to assure DOD personnel have a working knowledge of appropriate standards of conduct prohibitions and restrictions? Does it include coverage of DODD 5500.7, Standards of Conduct?

c. **[REPORT]** Is there evidence of any gift, favor, entertainment, hospitality, transportation, loan, any other tangible items, and any intangible benefit (e.g., discounts, passes, and promotional vendor training) given or extended to military or civilian personnel for which fair market value is not paid by the U.S. Government recipient?

d. **[REPORT]** Are Equal Employment Opportunity (EEO) requirements being carried out in the organization?

8. External Influences

a. Are there previous audits, reviews, or inspections by outside agencies that can reveal strengths and weaknesses in the contracting office and focus emphasis? Do described problems still exist? Was corrective action taken or planned?

b. Are contracting personnel generally satisfied with the information submitted to them by technical personnel and the requiring activities in such areas as specification packages, in-house pricing estimates, and funding?

c. Are unrealistic requirements or deadlines imposed on the contracting office?

d. Are contracting office physical facilities and supporting equipment adequate?

e. Is there sufficient office space? Is it allocated properly according to grade and responsibilities? Is a conference room available?

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